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# China Report

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No. 10, 16 May 1983

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## CHINA REPORT

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No. 10, 16 May 1983

Translation of the semimonthly theoretical journal of the Central Committee of the Communist Party of China published in Beijing.

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PROMOTE REFORMS AND INVIGORATE THE RURAL ECONOMY IN AN OVERALL WAY---  
ENLIGHTENMENT GAINED FROM YANBEI PREFECTURE'S INCREASE IN OUTPUT AND INCOME

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 2-5

[Article by Huo Shilian [7202 1102 1670] and Li Ligong [2621 4539 0501]]

[Text] Great changes have taken place in the rural areas of Shanxi as in other rural areas throughout the nation since the 3d Plenary Session of the 11th CPC Central Committee, the more so in Yanbei Prefecture. Compared with 1978, the year immediately before the 3d Plenary Session of the 11th CPC Central Committee, the output of grains is up 39.9 percent, oil up 4.4 percent, beet up 5.3 percent, the total income of agriculture more than doubled, and the average income per capita 251.6 yuan, up 190 percent. There appears a prosperous scene of getting rich through labor everywhere in the prefecture.

Why is it that Yanbei Prefecture should have made such great achievements? The vital cause is that the cadres throughout the prefecture have seriously implemented the line, principles and policies of the party since the 3d Plenary Session of the 11th CPC Central Committee, they have broken through the ideological bondage of "leftism," they have been brave in exploring, proceeding from realities, and seriously carrying out reform. It is vital for us to sum up and spread the experiences of Yanbei in the promotion of the reforms of rural economy, speed up the prosperity over large areas of the whole province, and invigorate the rural economy in an overall way.

1. Starting From Realities, Establish, Stabilize and Perfect the System of Contracted Responsibilities

When many comrades still limited the all-round contract system to "three reliances" in the production teams, the comrades of Yanbei dared to start from realities, and made some breakthroughs. Fully respecting the will of the masses, they gave a free hand to various communes and production brigades in adopting forms of contracted responsibilities which the masses liked. The all-round responsibilities system became the main form of various types of contracted responsibility systems in 1981; and in 1982, it was popularized throughout the whole prefecture. In carrying out the all-round contract system, they laid stress on contracted responsibilities according to labor capacity, in line with local characteristics of a comparatively

large area of cultivable land, attached special attention to the correct handling of the relations between unified and separate managements, and brought into play the initiative of the collective on the one hand and the individual on the other. This is the key to the rapid upswing of agriculture throughout the prefecture.

The system of contracted responsibilities with payment linked to output, as a new form in agricultural cooperative economy, has turned onto a road of healthy development after it has been implemented, enriched, and evolved in the past 2 years or so, and has planted itself well in the rural areas throughout the province. Our current task is to spread the system of contracted responsibilities with payment linked to output to some new realms step by step in the course of making the system stable and perfect. The experiences of Yanbei and other prefectures have demonstrated that the system can be applied not only to cultivation but also to forestry, animal husbandry, sideline production, fishery, all kinds of service trades and various developmental economic activities. It is necessary to adopt various forms and various aspects of contracted responsibility system so as to combine the large amount of surplus labor force with the wide range of natural resources and create more wealth. At present, the appearance of the effort to harness small river basins through contracted responsibilities on the household or joint households basis throughout the province is a new creation. This has solved the three problems in water and soil conservancy and harnessing small river basins that could not be solved over a long period of time, and comparatively satisfactorily unified the contradictions, namely, the contradiction between the individual and collective interests, the contradiction between present and long-term interests, and the contradiction between ecology and economic results. It is to be expected that so long as the correct policy and method of work are persisted in, the spreading of such a form of contracted responsibility system will create a new situation in the control of soil erosion and the promotion of the ecological balance; numerous new plantations, tree farms and pastures will be opened up, and unprecedented economic prosperity in the mountain areas will be promoted.

## 2. Actively Develop Diversified Economy While Taking a Firm Grasp of Grain Production

With the rise of labor productivity in the course of implementing the system of contracted responsibilities with payment linked to output, there has appeared a large amount of surplus labor force in the rural areas of Yanbei. To provide conditions for the unfolding of diversified economy, they promptly put forward the issue of taking a firm grasp of grain production, while at the same time developing diversified economy in an active way, as a strategic issue in bringing an upswing in agriculture in the whole prefecture. In 1981, the income from industrial crops, sideline and industrial occupations and other items of diversified economy reached 44.4 percent of the total income of agriculture, and grew to 54.2 percent in 1982.

There are two aspects of superiority in Yanbei Prefecture: One is its rich coal resources, with 10 out of its 13 counties possessing coal resources; the

other is its comparative abundance of land. Average land per capita in the prefecture (including the nonagricultural population) is 14.3 mu, and average cultivable land per capita among the agricultural population is 4.37 mu. They have brought these two aspects of superiority into full play, and unfolded diversified economy in a big way. Every county, every commune and every production brigade has its own superior feature. For instance, Zuoyun, Huaiyuan and other counties have made full use of their superiority in coal, and developed sideline and industrial occupations in a big way; their economic income is high, and they are getting rich fast. Zuoyun used to be a poor county in the mountain areas; however, in 1982, households with an average income of 500 to 1,000 yuan per capita accounted for 40 percent of the total number of agricultural households; households with an average income of 1,000 yuan per capita accounted for 3.4 percent of the total number of agricultural households, and the average income per capita of the county reached 374 yuan (including that from household sideline occupations), a net increase of 307 yuan over 1978. Income derived from diversified economy (including household sideline occupations) rose by 255 percent from 1978, and was 81.8 percent of the total income of agriculture. There are no coal resources in Yingxian County. However, it has grown rich, too, chiefly relying on developing cultivation, animal husbandry and processing industry. In 1982, average income per capita of the county through collective distribution rose by 150 percent over the record year of 1981, and by 260 percent over 1978. Including income from family sideline occupations, actual average income per capita exceeded 300 yuan. Pinglu is among the poorest counties throughout the nation; over the past three decades, it has all along been in a state of "three reliances." From 1956 to 1980, the average annual income per capita was only 35.8 yuan. In 1982, a good job was done in the contracted responsibilities system, diversified economy was developed, for the first year the whole county shed its label of "three reliances," and the average income per capita rose sharply to 194 yuan.

These typical examples have vividly demonstrated that the creation of a new situation in diversified economy is the only way to promote the change of agriculture from self-sufficient and semi-self-sufficient economy to comparatively large-scale commodity production. Those places which still fail to find ways to become rich should use their brains in bringing into play their local superiorities; while taking a firm grasp of the production of grain, they should try to make a breakthrough in diversified economy. With the gradual invigoration of the rural economy, there is a pressing need to do a good job in the processing of agricultural, sideline, native, and special local products. It is an inevitable tendency that a considerable amount of the rural labor force will be put into processing industry. We must do a lot of work this year in this respect, and in particular develop food processing and fodder processing industries.

### 3. Attention Should Be Attached to the Exemplary Role of Specialized and Key Households

The production scale and income of specialized and key households of Yanbei are generally twice the average of the whole prefecture and some reach as much as 5 to 10 times the average. The agricultural products and the total

income of agriculture of specialized and key households account for one-fourth to one-third of the total agricultural output and total income of the whole prefecture, and the portion of their commodity products account for 30 to 40 percent of the agricultural commodity products of the whole prefecture. In many villages, the amount sold by a few specialized households and key households fulfills the state purchase quotas of the whole village; in some villages, the grain and oil sold by one household has exceeded the total sold to the state by the whole production team a few years back. For example, the agricultural production of Yingxian County has developed rapidly in the past 2 years. One of the important reasons is that there is a great number of specialized and key households in the county, like the eight immortals crossing the sea, each one showing his or her special prowess. Some have grown rich through nursing seedlings, some have earned an income over 1,000 yuan through raising martens, some have gone in for raising cows, and earned an average per capita income of 2,000 yuan, some have raised over 100 head of sheep, and earned a profit of 3,000 yuan within a year, some have taken up the incubation of chickens and made an income of 3,200 yuan, some have gone in for planting garlic with an income of 3,000 yuan, and there is one household which has reaped a harvest of 50,000 jin of grain, while another household enjoying the five guarantees has won a net income of over 2,000 yuan by raising pigs.

The fact that specialized and key households have increased their income and grown rich has demonstrated in various aspects the powerful vitality of their existence and the broad vista of their prospects, and has set an example in the development of the rural economy. It is imperative for us to further concentrate our efforts on key households if we are to further develop the new situation in agriculture which has already been created and do a good job in agricultural reforms. At present it is not enough just to generally talk about attaching importance and giving support to specialized households and key households; it is necessary to adroitly guide action according to circumstances in leading the masses on the march toward new targets. First, for the majority of specialized households, the level of their production and living standards are still comparatively low at present, and it is necessary to help them strenuously develop production and grow richer on the existing basis. Second, for those comparatively rich specialized households, it is necessary to study problem of the outlets for their capital. Some households have surplus money, while others surplus labor force, and still others, special technical knowhow. How to discover the potentialities of capital, labor force and technical knowhow among the peasants, make use of them in various developmental undertakings in the social economy, and shape them into new productive force, is a question that requires the conscious organization of leadership at various levels and state-owned industrial and commercial enterprises. Third, specialized households should spur on the others to take the road to common wealth. Zhang Xuezhong of Ying County serves as a good example. He is a labor model of the province. He does not rest on being rich himself, but has adopted various ways of helping other commune members, teaching them technical knowhow, or giving them guidance in management, or practicing economic cooperation, and has brought along everyone to share in common prosperity. It is necessary for us to commend such specialized households in a big way, and



make specialized households the force at the core of leading the broad masses of peasants to prosperity. It may be taken into consideration to adopt the measure of transferring technical knowhow with payment between specialized households and general peasant households, so as to help more peasants to take the course of specialized production. Fourth, do a good job in forming a whole system, rapidly establish and develop service trades before and after production, so as to support the production of specialized households in a big way. There may be three forms of service: First, service rendered to specialized households, for example, by adapting it to the needs of the development of commodity production, simultaneously developing specialized households involved in processing, storing and transportation, and sales; second, support the development of new economic combination bodies; third, develop the coordination and combination between state-owned industrial and commercial enterprises and related undertakings (such as supply and marketing cooperatives and technical service departments) and the two aforesaid forms of service. The forms may be varied, and a hundred flowers should bloom. In brief, it is necessary to develop socialized production and promote the exchange of commodities on the basis of specialized division of labor; and turn the separate management activities of specialized households on to the track of the national plan, and promote the close link of production, supply and sale of the whole rural economy, and the comprehensive development of agriculture, industry and commerce.

At present, attention has been drawn particularly to the appearance of specialized grain production households. In 1981, a mere 131 households in Datong sold over 10,000 jin of commodity grain and fulfilled 39 percent of the state purchase quota of the whole county. Yanbei Prefecture is planning to gradually come to rely on specialized grain production households to fulfill the state grain purchase quota of the whole prefecture. With the continuous and growing appearances of specialized grain production households, land suitable for growing grain is gradually becoming concentrated in the hands of persons who have labor force, and who are good at management; this will inevitably raise the output of the per unit area in a wide range, and the area for economic crops will gradually expand. The mutual reliance between specialized grain production households and other specialized households, and the close link between them, will inevitably greatly promote the rapid growth of the various specialized households which are engaged in other occupations. It is necessary for us to develop specialized grain production households, especially specialized wheat households. The development of specialized grain production households should be linked with the establishment of small-type commodity grain base areas. It is necessary to do a good job in unified planning, and help these localities to plan to change their production conditions in the shortest possible time, and draw up concrete plans for the disposition of mechanized areas, and the establishment of various related service organs and equipment, and so on. In solving the problem of the irrational price relations between grain and economic crops, consideration may be given to specialized grain production households, in the form of compensation or reward through policy stipulations.

#### 4. Spread Agricultural Science and Technology in Earnest

In the course of implementing the system of contracted responsibilities with payment linked to output with the all-round contract system as its main body, Yanbei Prefecture has attached great importance to relying on science to step up the development of agriculture. "Agriculture relies on science" meetings have been called separately at the prefecture, county, and commune levels, agricultural technical personnel have been trained, the system of contracted responsibilities in technical knowhow has been spread, and a great number of combination and demonstration science and technology households have been established, resulting in the combination and mutual supplementation of the all-round contract system in agriculture and the system of contracting technical knowhow. In 1982, the region allotted 2.3 million yuan to support the development of agricultural science and technology, in particular providing funds for scientific and technical personnel who have taken up the task of contracted responsibilities, so as to give them a free hand in adopting various forms in getting agricultural science and technology to thousands of households. The 739 agricultural science and technical personnel and 13,529 households have signed contracts for comprehensive technical knowhow of one or various types of crop; 4,200 peasant technicians and 28,000 commune households have signed contracts for a single item of technological knowhow. The total number of households that have signed contracts amounts to half the total number of peasant households. Of the seven items of grain crops for which contracts of technical knowhow have been carried out, average output per mu grew by 85.6 percent, with many record yields. For example, the per mu output of wheat in Yanbei was around 100 jin. Last year, applying science and technology, Tienzhen County planted wheat over an area of 13,360 mu, and the average per mu output reached 586 jin. The per mu output of wheat in 4 communes exceeded 700 jin, and the per mu wheat output of 126 peasant households exceeded 1,000 jin. Moreover, the outputs of a single crop of maize, kaoliang, rice, potato, broad bean and beetroot have made many new breakthroughs in various places in the prefecture.

The experience of Yanbei has demonstrated that once advanced science and technology are applied to production, they will turn into productive forces; the reliance on the progress of science and technology is the key link to widespread prosperity, and to the invigoration of the rural economy. In further implementing the various principles and policies of the party this year, it is necessary for us to lay stress on grasping science, and strengthen the work of researching and popularizing science and technology with the aim of serving the peasants. At present, it is necessary to do a good job in the following two aspects: First, to widely popularize the results of scientific research which have been tested by practice; second, to organize and concentrate forces to tackle aspects of science and technology which are in urgent need and which produce great economic results, such as raising the output of certain crops, reforming farming and cultivation, preserving the ecological environment, developing compound fertilizers in a big way, utilizing fine strains and periodically renewing them, and so on.

Technical personnel should look to production, and do a good job in contracting technology. Agriculture is a comprehensive production activity, affected by various factors. Therefore it is vital to unite technicians of various specialties to engage in contracting technology. When any problem appears, those who are needed should go, each taking his own responsibility, and work in close coordination, so as to bring into full play the special abilities of each technician. Relying on pooled wisdom, the system of contracted responsibility in technology will certainly achieve better results. It is necessary for us to treasure our technicians, adopt policies which are advantageous for technicians to work in the forefront of agriculture, and encourage former agricultural technicians to return to the agricultural front. We used to say that "the peasants do the farming"; this saying does not seem to be comprehensive enough today. Nowadays, farming should be done by relying on both peasants and intellectuals; and if we fail to bring into play the role of the intellectuals, it will be difficult to invigorate the rural economy. Peasant technicians are great in number, they take an actual part in production, their technical knowhow is solid, they are rich in experience, and are an outstanding contingent of science and technology. A universal investigation will be carried out this year, and some people will be selected for technology popularization stations to work alongside science and technology cadres in carrying out the system of contracting technology.

#### 5. Strengthen Leadership, and Change the Style of Leadership

That Yanbei Prefecture has been able to increase its production and income by a large margin has much to do with the good ideological condition and style of leadership at prefectural, county, and commune levels.

Why is it possible that the system of all-round contracted responsibilities has been carried out in Yanbei Prefecture sooner, faster, and in a large area? The important reason is that the chief leading cadres of the prefecture and its counties are able to go deep into the realities and carry out serious investigation and study. When problems are correctly pinpointed, people are more decisive. Leaders at all levels in Yanbei Prefecture also attach great importance to studying and solving new problems that have appeared since the implementation of the system of contracted responsibilities in production. For example, according to statistics up to the end of October last year, the leading cadres at county and commune levels of Ying County had written 85 investigation reports, among which 15 were written by members of the standing committee of the county CPC committee and deputy county heads. Through investigation and study, they have promptly solved a series of new problems involved in perfecting the system of contracted all-round responsibilities, supporting specialized households and key households in carrying out capital construction on farming plots, the purchase and management of tractors on the part of the commune members, and in developing the processing industry of agricultural and sideline products. What has inspired us the more is the fact that the leading cadres of the Ying County CPC Committee have combined themselves with technicians in carrying out the system of contracted responsibilities with payment linked to output and technology. They have signed contracts with 215 production brigades, and 11,300

peasant households on responsibilities with payment linked to output and technology of 10 crops, covering an area of 100,400 mu of land. In those places where contracts were signed by the leading comrades of the county CPC committee, their outputs and income have increased by a large margin.

In summing up the experience of Yanbei, we come to realize that the smooth implementation of agricultural reforms and the success of the overall invigoration of the rural economy largely depends on whether the leading cadres at various levels have completely rid themselves of the erroneous influences of "leftism." When minds are emancipated, the courage for reformation will appear, and the door leading to prosperity will be opened.

To adapt to the excellent situation of the vigorous development of the rural areas, and lead the masses forward, it is imperative for the leading comrades at various levels to conscientiously plunge deep into the realities, and make investigations and study. When any newborn thing appears, the leadership at all levels should follow its track, and have a clear understanding of its origin and development, so as to acquire the right to speak, the right to take the initiative, and the right of leadership. The change in the style of leadership is a vital content of the whole reformation, and at the same time a vital guarantee of the realization of a series of reforms in agriculture. Leading cadres should not be satisfied with merely giving verbal support or approval of the line, principles and policies since the 3d Plenary Session of the 11th CPC Central Committee; they should not stop at issuing calls on becoming prosperous through labor, but should take a lead in action, be bold in reforms, put forth ideas and measures, and open all avenues for the overall invigoration of the rural economy. Leadership at all levels should also do a good job of training grassroots cadres in the countryside, and bring into full play their backbone, leading role.

At present, the vigorous development of agricultural production has just started; its potential is great, and the reforms in agriculture are developing in depth and breadth. It is necessary for us to further emancipate our minds, have the courage to conduct reforms, and be pathbreakers in the overall invigoration of the rural economy under the guidance of the spirit of the 12th CPC Congress.

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## SOLID FOUNDATION AND STRATEGIC SIGNIFICANCE OF SOUTH-SOUTH COOPERATION

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 6-9, 17

[Commentator's article]

[Text] Of the 160-odd independent countries in the world today, more than 120 belong to the Third World. Most of these Third World countries are located south of the main developed countries. Therefore, they are internationally referred to as southern countries. It follows that economic and technological cooperation among Third World countries is called South-South cooperation. South-South cooperation is a new type of international economic relations of mutual assistance, learning from others' strong points to offset one's weaknesses, mutual benefit, and common development. Since the 1970's, the Third World has attached more and more importance to this kind of cooperation. In a series of international meetings convened by Third World countries in the past few years, South-South cooperation always has been regarded as an important question for discussion and the demand for developing this kind of cooperation has become stronger and stronger. China is a developing country and belongs to the Third World. How should we look upon the question of South-South cooperation?

### I

Comrade Zhao Ziyang said at the South-South conference held in Beijing not long ago: "South-South cooperation is showing tremendous life force and has opened broad prospects for the future." The reason why we have full faith in the development of this cooperation is because it is built on a firm political and economic basis.

Of course, there are differences in the political systems and the domestic and foreign policies of the Third World countries. However, they all suffered from colonial domination in the past; after independence, they all face the common task of vitalizing their national economies and maintaining national independence. Similar past sufferings, more or less the same world status, and common interests cause them to share the same views on a series of major economic and political issues in the world. This provides a firm political basis for developing South-South cooperation.

Circulation is determined by production and the development of national economy is the material basis for expanding economic relations with foreign countries. The growth of Third World countries' economic power since their independence provides an economic basis for the development of South-South cooperation.

For a long time before their independence, Third World countries were suppressed and exploited by imperialism and fettered by domestic pre-capitalist production relations. The level of their productive forces was very low. The people lived in extreme poverty. Their external economic relations were mainly designed to provide agricultural produce, minerals, raw materials, or fuels to their suzerain states. It was impossible to have much economic exchange among themselves.

Although Third World countries are generally still rather poor and backward at present, great changes have taken place since their independence or since the early years of their independence. Since independence, a vast majority of Third World countries have adopted a series of principles, policies, and measures conducive to developing national economy, causing great changes in their economies. According to statistics, between 1960 and 1970 their average annual growth of gross production value was 5.9 percent, compared with the growth rate of 5 percent of the Western developed countries; between 1970 and 1980, the average growth rate was 5.1 percent, which was still higher than the 3.3 percent growth rate of the developed countries. Between 1958 and 1973, the average annual growth rate of their mining industry was 8 percent. Between 1960 and 1980, their manufacturing industry grew from less than 7 percent of the world's total to more than 10 percent. Agriculture in some Third World countries has also undergone rather large development through launching a "green revolution," improving farming technology, and cultivating and popularizing new varieties of crops.

Many Third World countries have made significant achievements in building their industries. Besides simple labor-intensive products such as agricultural products, mineral products, textiles, and garments, they can now produce relatively complicated technology-intensive products such as optic instruments, hydroelectric generators, photographic apparatuses, telecommunications equipment, and even airplanes. China-made ships and complete equipment for large power stations have entered the international market. The 80-horsepower 578-type tractor designed and made in Yugoslavia won the top world prize for the longest plowing hours in Britain. According to the U.S. magazine TIME, some products of the Indian machine industry have "beaten the Japanese in Malaysia, the French in New Zealand, and the Germans in Libya." These are some examples which have proved in a lively manner that the industries in some Third World countries have some foundation.

As a whole, Third World science and technology are rather backward compared with developed Western countries. However, they are not backward in all respects. In some fields, science and technology in some Third World countries have reached the world's advanced level. Through importing advanced technology from the West and through assimilating and developing this technology according to the conditions of respective countries, many countries

have developed technology with their own characteristics. In using such technology, less investment is needed, productivity can be raised to a certain extent, and manpower without much technical training can be employed, thus providing more job opportunities. Therefore, this kind of technology is more suited to the needs of Third World countries. Many countries have sent their own experts and technicians to help with the construction of other Third World countries. These technicians are already capable of providing advisory services in studying the feasibility, designing, managing, and operating construction projects.

Some changes have also taken place in the socioeconomic structure of Third World countries. Although these changes vary in magnitude, there is a common trend--the percentage of social production is gradually increasing in the national economy, the percentage of self-sufficient economy is falling, and the commodity economy is gradually increasing. The majority of Third World countries have increased their commodities for domestic circulation and international exchange. They have increased the volume and varieties of exported commodities and have bigger markets for their own products and imported goods. Between 1960 and 1980, total exports from all Third World countries increased from \$27.3 billion to \$561.4 billion. In the same period, total imports increased from \$30.2 billion to \$439.7 billion.

The development of the national economy and the progress in science and technology of Third World countries have made it possible to develop extensive South-South cooperation. However, this has not yet been clearly understood by many people. If various countries increase their contacts through study and investigation visits and gain a better understanding of each other's superior economic conditions, situations in industrial and agricultural production and in science and technology, capacities in export and needs in import, the tremendous potential in South-South cooperation will certainly be given fuller play.

## II

General Secretary Hu Yaobang said in his report to the 12th party congress that South-South cooperation "is of great strategic significance, as it helps break out of the existing unequal international economic relations and establish a new international economic order." This conclusion has correctly expounded the relation between South-South cooperation and the establishment of a new international economic order. It also shows that our country sets a high value on the great significance of South-South cooperation.

The former international economic order was a product of imperialist colonialism. After World War II, nearly 100 former colonial and semi-colonial countries shook off the fetters of colonialism and gained political independence, thus smashing the old imperialist colonial system. However, the former international economic order remains practically unchanged under the monopoly of imperialism and the control of capitalism. This unequal and irrational old international economic order retains the former ways in the international division of work. The great majority of

politically independent Third World countries are not completely independent economically. The developed countries can still rely on their economic superiority and their control of the international market network to continue to exploit and rob Third World countries by means of exchange at unequal values and the export of capital. The developed countries are still monopolizing the international monetary markets with which they can exploit Third World countries by granting usurious loans.

Especially since the current economic crisis broke out, developed countries have been using the existing international economic order to shift the burden onto Third World countries in order to extricate themselves from their own difficulties. In the past few years, the Western developed countries have been undergoing the most serious economic crisis since the 1930's. This crisis has seriously hindered the economic development of Third World countries. In 2 years, the price of primary products on the world market has dropped 30 percent, which is the lowest since the end of the 1950's. Developed countries have strengthened trade protectionism and increased customs and noncustoms barriers so that the export volume of Third World countries has dropped drastically. From 1980 to 1982, the annual income from exports of Third World countries fell by \$40 billion as a result of deteriorating trade conditions and a decrease in exports. In 1980, the balance of major items of international income and expenditure of Third World countries showed a surplus of \$35.9 billion. However, in 1981, they had a deficit of \$11.5 billion and their total adverse balance of international payments in the same year amounted to \$109.7 billion. The foreign debts of Third World countries further increased. By the end of 1982, their long- and medium-term foreign debts totaled \$626 billion. Many countries found it difficult to pay their debts. At present, many Third World countries are facing the gravest economic situation since their independence. The old international economic order is a great obstacle that is preventing Third World countries from gaining economic independence and consolidating political independence. It is also an obstacle that is affecting the development of their national economies.

In order to break through the barriers set up by imperialists and monopolizing capitalists, to improve international conditions, and to create indispensable normal external conditions for the development of national economy, a number of Asian, African, and Latin American countries staged a struggle to destroy the old and establish the new in the international economic sphere immediately after they won political independence. The struggle of Third World countries to establish a new international economic order has been, from the very beginning, closely tied to their unity and cooperation. The Afro-Asian conference held in Bandung in April 1955 upheld the banner of unity against imperialism and declared that international relations must be based on the principles of mutual respect for territorial integrity and sovereignty, mutual nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. In 1964, at the First United Nations Conference on Trade and Development (UNCTAD), the Third World organized the "Group of 77." Later, in accordance with the proposal of the "Group of 77," the United Nations decided to make UNCTAD one of its permanent economic organizations. This



conference meets once every 4 years. Consequently, the Third World countries got an important forum at which they could speak in one voice in discussing North-South economic relations with developed countries. Urged on by Third World countries, the 6th Special Meeting of the UN General Assembly, held in 1974 and the 29th UN General Assembly adopted the "declaration on the establishment of a new international economic order," the "program of action," and the "charter of the economic rights and duties of various countries." In this way, the struggle to establish a new international economic order entered a new stage. In the mid-1970's, Third World oil-exporting countries united again, used oil as their weapon, and struggled against the international monopolized oil capitalists. With the energetic support of countries which do not export oil, they finally regained the right to fix oil prices. After that, Third World countries again used raw materials as their weapons and launched forceful strikes on the unequal old international economic order. Faced with this international situation, some developed countries, in order to ensure a good supply of energy and raw materials for themselves and to increase exports to the Third World, were forced to change their traditional ways to varying degrees to deal with Third World countries. "Confrontation" gave way to "dialogue." They made concessions to Third World countries on some questions which do not affect the overall situation. It can be seen from this that all progress made in the struggle to establish a new international economic order are results of unity, cooperation, and concerted efforts of Third World countries.

In order to defend its domination and vested interests, the United States, especially the Reagan administration, sticks to its extremely obstinate position and has refused to recognize the need to change the existing international economic relations, asserting that what is needed at present "is not to weaken this system which has served us remarkably but to continue to improve it with concerted efforts." It also has vilified the struggle of the Third World to establish a new international economic order as making trouble out of nothing. Being proud of its strong competitive power in the current international market, the United States has indulged in unbridled propaganda for "the superiority of market mechanism," ignoring the just demand of Third World countries for improving North-South relations. In order to relax North-South tension, the Third World initiated global talks. But because the United States and a few other Western developed countries have adopted stalling and obstructive tactics, no progress has been made in the preparatory work. The North-South dialogue has come to a deadlock and North-South economic relations are strained. This not only has intensified the North-South economic contradictions, making it difficult to end the stagnant world economy, but also has deepened the North-South political contradictions, aggravated contention among the developed countries in the Third World, and caused greater instability in the world situation.

Stern reality has helped Third World countries further understand that like their struggle for political independence, they cannot expect "favors" from anyone in their struggle to establish a new international economic order. The progress of the struggle to destroy the old and establish the new in the sphere of the international economy is to a very large extent determined by the growth of Third World countries' own economic strength and the

strengthening of their unity and cooperation. The greater the economic strength Third World countries have, the better they will be able to curb one or two superpowers which have taken a rigid position and adopted a peremptory attitude toward the North-South questions. History has proved that it is very harmful to the development of the national economies of Third World countries if they economically depend too much on the Western developed countries. The reliable way to attain economic prosperity and to increase their economic strength is to strengthen South-South cooperation, embark on the road to self-reliance, build an independent national economy, and reduce their dependence on the developed countries. If South-South cooperation can unite the Third World countries, which are scattered about and are relatively weak in economy, to form a powerful international strength, it will fortify the position of these countries in their talks with developed countries, give greater play to their role in world affairs, compel the developed countries to adopt a more realistic attitude toward reform of the unequal and irrational international economic relations, effectively break the deadlock in North-South dialogue, solve more problems involving the North and the South, and open a new situation in reforming international economic relations. In addition, from the very beginning South-South cooperation was based on the principle of equality and fairness and was characterized by mutual assistance and mutual benefits. South-South cooperation itself is an expression of the new international economic order.

### III

China pays special attention to and supports South-South cooperation. We are trying to strengthen our economic and technological cooperation with Third World countries. In 1981, our trade with Third World countries totaled \$9.2 billion, which was 23 percent of our total import and export trade. Up to the end of 1981, we had undertaken 1,317 construction projects for 76 Third World countries; of these, 987 had been completed and put into operation. The dispatch of experts, engineers, and technicians by us to Third World countries totaled 180,000. Not long ago, when Premier Zhao Ziyang visited 11 African countries, he put forward the four principles of "equality and mutual benefit, stress on practical results, diversity in form, and achievement of common progress." These principles have further explained China's position toward strengthening South-South cooperation and are a summary of the experiences of our economic and technological cooperation with African and other Third World countries.

Practice has proved that the stress of economic relations with Third World countries should be put on economic and technological cooperation based on mutual benefit. During a period in the past, some countries which had won their independence earlier rendered economic assistance gratis to new independent countries. This played an important role in helping the latter crush subversive activities staged by imperialists and strengthen their economic independence and in promoting and consolidating friendship cultivated in the struggle of Third World countries to achieve national independence. From now on, we should continue to render, according to our ability, some necessary assistance in this way to countries which have great difficulties and urgently need such assistance. However, if one-way

assistance is regarded as the chief economic relation between Third World countries, it will not become universal and will not last long. Only by adhering to the principle of equality and mutual benefit, so that each country will be benefited while contributing its strength and so that South-South cooperation will really become a source of strength enhancing the development of the national economy of various countries, will the South-South cooperation have bright prospects and tremendous vitality.

The Third World covers a vast area of the world and there are great differences in climate, national resources, and the economic and technological levels between the countries. Some countries are rich in raw materials needed by other countries. Some countries have technology which is suitable for other countries. Some countries have sufficient funds but lack manpower. Some countries have sufficient manpower but lack funds. Differences in various aspects between Third World countries and regions leads to a great variety of ways for South-South cooperation.

Numerous facts have proved that bilateral cooperation, multilateral cooperation, and cooperation in other forms must proceed from actual needs and existing conditions, adopt measures suited to countries concerned, select the most essential sphere which needs cooperation, and adopt the most appropriate ways for cooperation. Only in this way will cooperation develop smoothly. If we continue to put forth efforts to conduct study and investigation in this respect, we must certainly find new ways, channels, and spheres for cooperation.

Because of problems handed down from the protracted colonial rule, some contradictions, disputes, and conflicts exist among Third World countries. These sometimes even give rise to wars between them. The situation of each country and the domestic and foreign policies that are adopted are different. These will also give rise to some new problems. If these problems are not appropriately handled, they will actually hinder the development of South-South cooperation. There is no conflict of fundamental interests between Third World countries. As long as all parties concerned can eliminate interference by superpowers, take the interests of the whole into account, seek common ground while reserving differences, seek mutual understanding and make mutual accommodation, and negotiate patiently they will certainly overcome difficulties and obstacles which hinder unity among them and create favorable conditions for developing South-South cooperation.

It can be seen clearly that South-South cooperation has become an irresistible historical current in the sphere of international economy. China's economic relations and cooperation with foreign countries are extending to the extensive sphere of South-South cooperation. Our position toward South-South cooperation conforms with the historical current and is winning the confidence and agreement of more and more Third World countries.

CSO: 4004/35

**WE MUST ATTACH IMPORTANCE TO THE STUDY OF PRACTICAL PROBLEMS IN THE PARTY'S THEORETICAL WORK**

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 10-11

[Commentator's article]

[Text] At present there exist a number of problems in our theoretical work, problems that cannot be ignored. One of these is the tendency to underrate the importance of studying practical problems.

Some comrades are reluctant to concern themselves with and to study the many pressing practical problems arising from China's socialist modernization. They think that it is not their "proper occupation" to study practical problems, and that an article which looks into practical problems is not a theoretical article. They think that the farther removed from reality their field of study, the more educated they are. They also think that the harder it is for the public to understand their articles, the more they can prove themselves to be men of great learning. Influenced by this biased view, some theoretical journals rarely carry any articles of research that give insight into practical problems. Some units have even laid down the rule that in ascertaining academic attainment, research papers on practical problems are not to be taken as the basis of evaluation. It can thus be seen that unless this biased view is overcome and unless such a state of affairs is changed, our theoretical work will not be able to meet the needs of socialist modernization.

Theoretical work means studying the law of development of objective things (including that which governs history and reality), and giving theoretical summaries and explanations to guide man's practical activities. Marx pointed out: "A correct theory must incorporate concrete conditions and must be expounded and developed in the light of existing conditions." ("Collected Works of Marx and Engels," Vol 27, p 433) Thus, it is necessary to integrate ourselves closely with reality in studying constantly developing reality. This is determined and required by the very nature of theory. Every enterprising theoretician must focus his attention on reality and put the emphasis of research work on the study of practical problems. It is all the more necessary for Marxist theoreticians to do this. If Marx and Engels had not bothered to study the reality of the development of socialism in their day, they would not have founded the scientific world outlook and the

most thoroughgoing theory of social revolution--Marxism. If Lenin had not bothered to study the new reality following the emergence of imperialism, the development of Marxism into Leninism and the victory of the October Revolution in Russia would not have been possible. In China, if the CPC members headed by Comrade Mao Zedong had not combined the universal truth of Marxism-Leninism with the concrete practice of the Chinese revolution and had not bothered to study the practical problems in China, then Mao Zedong Thought would not have come into being and the victory of the Chinese revolution would have been out of the question. Marxist theory has vitality because constant efforts have been made to study new conditions and to solve new problems in the light of real life, which is rich and colorful and is constantly developing. Had it not been so, Marxist theory would have turned into a languid and ossified dogma and would not have any vitality.

China has now entered a new historical period of carrying out socialist modernization with concentrated forces. The 12th National CPC Congress has formulated for our people a grand program of endeavor till the end of this century. On the question of developing Chinese-style socialism, the party and the people have set a still higher demand on theoretical work, requiring it to provide theoretical answers that are of guiding significance for a host of problems arising from real life. The emphasis and basic orientation of our party's theoretical work should be to apply the Marxist stand, viewpoint, and method in studying the various conditions and problems in our real life, find out the governing laws, and use them to guide our socialist modernization. Only in this way can our theoretical work meet the needs of the party and the people and push Marxism-Leninism-Mao Zedong Thought forward under the new situation.

Of course, in saying that the emphasis of theoretical work should be put on practical problems, we do not mean we can neglect or negate the study of basic theory and of the history of China and of other countries. Research on the basic theory of Marxism, on various disciplines of the social sciences, and on the history (including events, people, and ideas) of China and of other countries constitute an important part of theoretical study and must not be neglected. Without studying the basic theory of Marxism, we cannot completely and accurately master the theoretical weapon of Marxism. At the same time, while we study the present, we invariably must draw lessons from history. Marxism itself is developed on the basis of assimilating all the fine cultural legacy of mankind. At present, we do not have too many research books on the basic theory of Marxism that are truly up to standard, or books on the history of China and of other countries that are truly of academic value. On the contrary, we have too few of those. It takes time and effort to improve and strengthen work in this connection. However, this is only part of our theoretical work. It cannot take the place of our entire theoretical work and cannot become the first and central task of our theoretical work. Besides, our aim in carrying out study in this connection is also to serve socialist modernization. For example, on the question of studying history, we want to find out about the past for the sake of knowing the present. Some feudal and bourgeois scholars of the past understood this. Marxist scholars ought to have an even better understanding of this idea of "making the past serve the present."

For some comrades, reluctance to concern themselves with and to study practical problems is due to the passive mentality that "the study of practical problems is a dangerous territory because it comes too close to politics." We should say this is a manifestation of the sequel of the decade of internal turmoil. During those 10 years the distinction between questions of academic theory and questions of politics was blurred, minor mistakes and shortcomings were elevated to the level of principle, and people were made targets of criticism and struggle at random. A large number of comrades suffered as a result. Thus, some comrades drew a lesson of passivity from this and thought that the farther they stayed away from practical problems, the safer it was. They did not realize that academic theoreticians were not persecuted during the decade of internal turmoil because they studied practical problems. On the contrary, they were persecuted chiefly because of "left" mistakes and the sabotage done by the Lin Biao and Jiang Qing counterrevolutionary cliques. These comrades also do not realize that since the 3d Plenary Session of the 11th CPC Central Committee, our party has already fulfilled the task of setting things right as regards the general guiding ideology. The CPC Central Committee has reiterated the "double hundred" policy, emphasizing the need to resolutely carry out the "principle of three nots"--not seizing on other's faults, not putting labels on people, and not using big sticks--in the study and discussion of academic, ideological, and theoretical questions. Theoreticians are encouraged to concentrate on studying and solving practical problems arising from China's socialist modernization. Everyone can see that today's China not only leads a normal political life but has had a normal atmosphere for conducting theoretical research and study. The overwhelming majority of comrades can now carry out discussion calmly and in a truth-seeking manner. Normal criticism and self-criticism in the course of theoretical study is not the same as "putting labels on people" or "using big sticks." They are necessary for conducting and advancing theoretical research. Theoretical workers should pay attention to upholding the basic tenets of Marxism and the four basic principles, and try to make fewer or no mistakes. However, in studying practical problems and probing objective laws, mistakes are hard to avoid. If we are able to recognize and rectify our mistakes through criticism and self-criticism, we will be able to make progress. To comrades who have made mistakes on certain questions and who have violated the four basic principles we should give criticism and help. At times, we might take certain organizational measures against these comrades, but we are only doing this so that they can better understand and rectify their mistakes. We do not want to finish them off at one stroke. This is essentially different from the way things were done when the "gang of four" ran amok. Therefore, theoretical workers should free their minds of apprehension and boldly probe into new conditions and new problems never before encountered by our predecessors.

In order to rectify the biased view of underrating the study of practical problems and looking down upon works discussing such problems, and in order to rectify the practice of ignoring writings on practical problems that show insight and are of some scientific value in assessing the achievements of theoretical workers and in ascertaining job titles, we need the guarantee

of specific systems and regulations in addition to ideological education. We hope that leading departments concerned will take measures positively to guide theoretical workers in showing concern for and studying practical problems, so that our theoretical work will become more lively and effective and be able to meet the pressing needs of socialist modernization.

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## WHY CAN ECONOMICALLY BACKWARD COUNTRIES ENTER SOCIALISM FIRST?

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 12-17

[Article by Xu Chengqing [1776 3397 3237]]

[Text] Marxist historical materialism tells us that the decisive factor for human society's development and change is production of material goods. The development of productive forces must be ensured by a certain form of relations of production which is suited to it. When relations of production become fetters to the development of productive forces, a social revolution is in the offing. The entire history of human society has proved the correctness of this theory. The revolutionary practice of the proletariat over the past century and more has provided more new proofs for this and has greatly advanced the theory. In particular, the fact that some economically and culturally backward nations have first won victories in proletarian revolutions has added substantial contents to the theoretical treasure house of historical materialism. However, some people have been puzzled by the fact that nations with comparatively backward productive forces enter socialism earlier than developed nations, thinking that the fact does not tally with the basic principle of historical materialism established by Marx. Hence, they suspect the historical necessity of establishing a socialist system in our country. In order to uphold Marxism and to be steadfast on the socialist road, it is necessary to have a correct understanding of this issue.

### I

The basic Marxist principle that productive forces determine the character of relations of production, though it reveals the law that the capitalist system is doomed to die, cannot be taken as grounds for the inference that economic factors are the only reason for the destruction of capitalism. This is because a general law governing social development can only indicate an inevitable tendency of human society; it cannot show us concrete process of human history under various special conditions, still less can it concretely indicate where the fortress of capitalism will first be broken down and where the mansion of socialism will first be built. This question cannot be answered by merely making logical inferences from the fundamental tenet that productive forces determine the character of relations of production. This is simply because necessity is not equal to



reality, and is subject to the influence and restriction of various actual conditions in the course of being realized. All sorts of accidental events also count in this course. That is to say, the realization of a necessity involves many twists and turns and is not plain sailing. The actual process of the destruction of capitalism is much more complicated than the general law described by people. In order to correct some young people's misunderstanding of historical materialism, Engels pointed out: "Marx and I are ourselves partly to blame for the fact that the younger people sometimes lay more stress on the economic side than is due to it. We had to emphasize the main principle to our adversaries, who denied it, and we had not always the time, the circumstances or the opportunity to allow the other elements involved in the interaction to come into their own. But when it was a case of presenting a section of history, that is, of a practical application, it was a different matter and there no error was possible. Unfortunately, however, it happens only too often that people think they have fully understood a new theory and can apply it without more ado from the moment they have mastered its main principles, and even those not always correctly." ("Selected Works of Marx and Engels," Vol 4, p 479) It is thus clear that the meaning of the Marxist tenet is distorted and a complicated matter is oversimplified and treated in terms of absolute if one proceeds merely with abstract terms and deduces, from the premise that the character of relations of production is determined by productive forces, a conclusion that the most economically developed nations must be the breach from which the capitalist system begins breaking down and the socialist system begins to emerge, and that economically underdeveloped nations cannot be qualified for building socialism.

Since the proletariat independently mounted the political stage, it has launched many offensives against the capitalist system. The focuses of the attacks vary under different historical conditions. In the early 19th century, the British proletariat stood in the forefront of the then labor movement. This is not only because Britain was then the most economically developed country in capitalist civilization, and the contradiction there between capital and wage labor was most prominent, but also because the British working class then "had clearly realized its own status, its great quantitative advantage, its painful experience in the previous struggle, and its current mental strength." ("Selected Works of Marx and Engels," Vol 2, p 76) Afterward, however, the British labor movement gradually calmed down. The reason was not that the development of production in Britain lagged behind; on the contrary, Britain's dominant position in the world economy enabled the British bourgeoisie to soften up the morale of the working class and to split the ranks of workers with part of the wealth plundered from the colonies. Therefore, the development of the capitalist economy, on the one hand, can sharpen the contradictions inherent in the capitalist mode of production and thus make conditions ready for the development of labor movements; but on the other hand, it can also be turned into an unfavorable factor for the development of labor movements under certain circumstances. Economic development does not always synchronize with the development of social revolution. In the early 1870's, the opportunity for proletarian revolution reappeared. The French proletariat then stood in the forefront of the struggle. Not long

afterward, new upsurges also appeared in the German labor movement. That the French and German proletariats took the lead in the worldwide labor movement was not because production in France and Germany was then more advanced than that in Britain, but because the two nations were focuses of various contradictions in those days.

Although Marx and Engels then predicted that proletarian revolution would first occur in countries where capitalism had fully developed, they did not exclude the possibility of socialist revolution in underdeveloped countries. In their late years, they paid more and more attention to Russia, which was still an economically backward country in the late 19th century. There, capitalist massive production held a small proportion of the national economy, and the rural commune system with some primitive characteristics still remained in the countryside.

After meticulous study of Russia's social conditions, Marx and Engels contended that economic backwardness was not an obstacle to the realization of socialism in Russia. Marx pointed out: "In Russia, because of the special coincidence of various factors, rural communes which still exist thus far throughout the country can gradually shake off their primitive characteristics and develop as a factor leading directly to collective production." Since this situation and the capitalist mode of production coexisted in the same period, "Russia can introduce all positive achievements of the capitalist system in the communes without adopting the capitalist system itself." ("Collected Works of Marx and Engels," Vol 19, pp 431, 435-436) In the preface to the Russian edition of the "Manifesto of the Communist Party" written in 1882, Marx and Engels further pointed out: "If the Russian Revolution becomes the signal for a proletarian revolution in the West, so that both complement each other, the present Russian common ownership of land may serve as the starting point for a communist development." ("Selected Works of Marx and Engels," Vol 1, p 231) Here, though the founders of Marxism overestimated the role of rural communes in Russia, they had, in general, foreseen that it is possible for an economically backward nation to directly enter socialism by jumping over the state of capitalism. Of course, at that time, they did not conclude that the position of capitalism may be broken through in Russia, nor did they foresee that economically backward nations may first enter socialism. They only held that the revolutions in all these nations could be successful only when they were integrated with the revolutions in developed nations, because objective conditions in their years had not developed to the point that they could foresee the possibility of realizing socialism first in backward nations. But the conditions eventually appeared around the turn of the century. Lenin was the first person who made a correct answer to this question.

Lenin put forward his theory on imperialism after making an exhaustive study of the new developments of capitalism in his times. Starting from the law of unevenness of imperialist development, he pointed out that the proletarian revolution will first smash the weakest link of the imperialist chain and achieve victory there. He pointed out: In the late 19th century, Marx and Engels predicted that a socialist revolution would be launched by

the French and completed by the Germans. "Things have turned out differently from what Marx and Engels expected and we, the Russian working and exploited classes, have the honor of being the vanguard of the international socialist revolution; we can now see clearly how far the development of the revolution will go. The Russians began it--the Germans, the Frenchmen and the Englishmen will finish it, and socialism will be victorious." ("Selected Works of Lenin," Vol 3, pp 434-435) Under the leadership of Lenin and the Bolshevik Party, the Russian proletariat took action and achieved the victory of the October Revolution. Ultimately, the victory had been won in a backward imperialist country, but it did not evoke any chain reaction in developed capitalist countries as expected; rather, it triggered off strong repercussions in some underdeveloped nations.

Then, can such a backward country as the old China, which was a semifeudal, semicolonial society, enter socialism earlier than other countries? The Chinese communists headed by Comrade Mao Zedong put forward a systematic theory about the transition from the new democratic revolution to the socialist revolution according to the specific conditions and China and the world and led the Chinese people to realize this transition in practice, thus opening up a remarkable new road for the proletarian revolution.

## II

A vivid fact in modern world history is that since capitalism developed from the stage of free competition to the stage of monopoly capitalism, the focus of the proletarian revolutionary struggle has been gradually shifted from developed nations to economically backward nations. Since the capitalist line of defense was first broken through in Russia, China and some other economically backward countries have successively taken the socialist road. But developed countries in Western Europe and North America have not entered socialism. Is this situation abnormal? Does it contradict the objective law that relations of production must be in keeping with the character of productive forces? To answer these questions, it is necessary to analyze the new changes in the relationship between productive forces and relations of production under the conditions of imperialism.

The existence of economically underdeveloped nations in the contemporary era is not an isolated phenomenon but an outcome of capitalism when it develops to the stage of imperialism. When capitalism was still in the ascendant, Engels pointed out: "Modern industry has brought about a worldwide market and this fact alone has closely linked together peoples throughout the world, especially peoples in civilized countries, so that people in every country must be influenced by events occurring in another country." ("Selected Works of Marx and Engels," Vol 1, p 221) Marx and Engels also pointed out: "According to our viewpoint, all historical conflicts root in the contradiction between productive forces and forms of intercourse. Moreover, with regard to the occurrence of conflicts in a certain country, it is not necessary to wait until the contradictions develop to an extreme degree. This is because the competition, which stems from an extensive international intercourse with industrially developed countries, has brought

about similar contradictions in less developed countries (for example, the industrial competition in Britain has brought the potential German proletariat to emergence)." ("Selected Works of Marx and Engels," Vol 1, p 81) If in the period of laissez-faire capitalism, the close ties largely existed among the "civilized countries," then, at the stage of imperialism, these ties have expanded from these countries to the entire globe. Moreover, the ties have gradually expanded from the field of commodity circulation to the field of production and have taken the production of capitalism across national boundaries and developed it into a worldwide system. The formation of the capitalist world economic system has brought about new changes in the internal structure of the capitalist economy, which could not have occurred in any single capitalist country in the past. With exportation of capital, capitalist production has gradually extended to underdeveloped countries. The economies of underdeveloped countries have gradually reshaped to meet the needs of the capitalist world economic system, with their raw materials, labor and markets being directly controlled by world capital. They have thus been deeply involved in the developmental process of the capitalist economy, with their production heavily dependent on the capital, manufactured goods and technology of developed nations and their economic independence being forfeited. The economic plunder by imperialism is the main reason for the poverty of backward countries in the present age. With the development of the capitalist economy, the world has been polarized between the very rich and the very poor. The emergence of this polarized economic structure will inevitably bring some new characteristics to the movement of the contradiction between productive forces and the capitalist relations of production as compared with that in the period of free capitalism. The development of productive forces in imperialist countries not only functions in these countries but also directly influences the economically backward countries and nations which are exploited and oppressed.

In developed countries, or the pole "possessing huge wealth," the development of the capitalist economy pushes forward the socialization of capitalist production and "sublates the capitalist mode of production within its own framework." ("Das Kapital," Vol 3, p 495) This self-sublation is reflected in the process from free competition to monopoly and from private monopoly to state monopoly and multinational companies. This process of self-sublation, of course, does not mean that the capitalist mode of production has radically negated itself; rather, it just represents a kind of self-readjustment of its inherent contradictions. By this self-readjustment, relations of production can temporarily and partially suit the development of productive forces. It must be noticed that this is realized on the basis of plundering underdeveloped nations. This plunder is a basic characteristic of the process of self-readjustment. By plundering and controlling raw materials, funds, labor and markets in their colonies and semicolonies, imperialist countries can improve their own conditions for production, distribution, and exchange, give an impetus to the development of their own productive forces, and temporarily mitigate the conflict between productive forces and relations of production in their own countries. At the same time, they can use part of the wealth they have plundered from backward nations to corrupt and split the ranks of workers,

to mitigate the class antagonism between capital and labor, and to create an atmosphere of "social peace," so as to temporarily postpone the outbreak of a social revolution.

However, the development of productive forces in the "civilized nations" has a different influence upon backward countries and oppressed nations. First of all, by exporting their capital and goods, imperialist countries have brought the economic lifelines of backward countries under their control and have stripped the poor countries of large quantities of their wealth. Second, with the destruction of the natural, self-sufficient economies of backward nations due to the intrusion of foreign capital, a considerable part of production in these nations has been oriented to exports rather than to domestic markets. That is to say, the backward nations have to provide raw materials, consumer goods and semifinished articles for developed countries. At the same time, they also need to import manufactured goods from developed countries. Because the price system of capitalism is to the advantage of manufactured goods, benefits brought about by the economic developments of backward countries are thus grabbed by developed nations to a large extent under the cover of "equal trade." Third, imperialist countries must create some vassal states according to their needs, so they make the economies of backward nations lean unduly on raw material production and elementary processing of raw materials, thus resulting in the lopsided development of the economies of backward nations and in the dependence of their economies and technology on developed countries. In order to match the modern production in imperialist countries, a number of enterprises with modern technology have also appeared in backward countries, but most of them are oriented to exports and are located mainly in port cities which are export centers. These enterprises and their modern technology cannot extend to other areas, especially the vast countryside. This has caused great unevenness of economic development in these countries. All of the above reasons have worsened the conditions for production, distribution, and exchanges in backward countries and have seriously blocked the road for seeking developments within the capitalist framework in backward nations. Thus, their existing relations of capital cannot be improved under normal conditions and they cannot realize high socialization of production as developed countries have done. Economic development in these countries is always lopsided and even tends to deviate from the normal course in history. All this greatly sharpens the contradiction between productive forces and relations of production and various other social contradictions. Now, the conflicts within the capitalist framework of production caused by the daily enhancement of the socialization of capitalist production are passed on to colonies and semicolonies which are economically backward. Though contradictions in developed countries are relaxed, contradictions in backward countries are sharpened. This is precisely a new characteristic of the movement of the contradiction between productive forces and relations of production under the imperialist conditions. This is also the real secret of the fact that in most years of the 20th century, developed countries have maintained relative stability, but underdeveloped countries have often been in turmoil.

In the era of imperialism, economically backward countries and regions have become the focus of various contemporary contradictions. This fact determines that a revolution of the mode of production must be carried out earlier in backward countries than in developed countries. In the capitalist economic system, backward countries constitute a weak link. In order to plunder them and to shift contradictions onto them, imperialist countries of course are not willing to see that these countries become strong. On the one hand, they need certain growth in capitalist economies in the backward countries so as to include the economic development of these countries in a unified capitalist economic system; but on the other hand, they do not allow capitalist economies to fully develop in backward countries and, in particular, do not allow them to develop out of their control and to become independent. In order to keep backward countries under control, they even need to maintain the most backward relations of production and to support the most reactionary political forces there. All this has aggravated the contradiction between the reactionary ruling class and the masses in these countries and has made these countries the weakest link in the chain of capitalism. That is the weakest point at which the line of defense of capitalism will be broken through. At the same time, with the economic infiltration of capitalism, modern industry and modern proletariats have emerged in backward countries, thus giving these countries advanced productive forces corresponding to those in developed countries, and providing them with material conditions for a socialist revolution. Therefore, the worldwide change caused by the contradiction between productive forces and relations of production begins from countries which are relatively backward in economic development. This is a necessity in the development of history and it precisely reflects the decisive role of productive forces over relations of production.

The fact that backward countries enter socialism first does not change the general process of human history. The stability in imperialist countries, which they maintain by shifting contradictions to poorer countries, is only relative and temporary. With the changes in conditions, social contradictions brought about by the development of productive forces will certainly sharpen in imperialist countries. Therefore, economically backward nations' successes in taking the socialist road or even in winning relative economic and political independence have all dealt imperialism head-on blows to varied degrees. This momentum will also promote the awakening of the proletariat in imperialist countries. The interactive struggles waged by the proletariats throughout the world have objectively become an integrated process.

### III

The movement of the contradiction between productive forces and relations of production can only provide an objective condition for the birth of a new social system; while its realization must depend on people's subjective efforts. In the contemporary era, some underdeveloped countries have established a socialist system, but others have not yet done so. Different social systems exist in many countries and regions which are at the same level of economic development. All this cannot be explained merely in terms

of economic conditions; but rather, it should also be observed from the viewpoint of the development of subjective conditions.

Then, what do the subjective conditions for a social change include? These conditions mainly involve people and social groups who are ready to carry out the social reform. These people must have realized the necessity of this social reform and must be willing to carry it out. Their purpose must be accepted by most people in society who also are ready to struggle for the purpose. They must have the material means for this social reform. In economically backward countries, though the intensity of social contradictions is largely the same, great differences still exist in subjective conditions. Therefore, great differences also appear in the process of social changes.

With the intrusion of imperialism, modern industry as well as the proletariat also emerge in backward countries. Although the proletariat does not account for a large percentage of the national population, they are subject to the dual oppression by the bourgeoisie at home and abroad. So they suffer more deeply from all maladies of the capitalist economic system and have a special hatred for the capitalist system. Thus they are more liable to accept and master the world outlook of Marxism. Once they take their destiny into their own hands, they will not choose capitalism for their own future. Therefore, the proletariats in these countries, though being born later, generally become mature and conscious faster. Through the guidance of correct strategies and tactics of the communist party, they can closely integrate themselves with the main force of the democratic revolution--the peasantry--and form a strong social force to reform the society and to build socialism so that socialism may be realized in an economically backward country earlier than in other advanced countries.

A socioeconomic system inevitably creates vested interests. The efforts to change this system will inevitably meet with resistance from them. In general, to overcome this resistance one must rely on violence, and must first seize political power. Then, a new social system can be established with the state power as a lever. This is especially the case in a socialist revolution.

Although objective conditions for carrying out a social revolution exist in an underdeveloped country, if the group and the class endowed with the mission of reforming the society have not yet become conscious or have not realized the necessity of the revolution, or though having realized the necessity, have not evolved a correct line and tactics, then it is still impossible to realize the revolution. This is the case for some countries which still follow the capitalist road after winning political independence. However, with regard to the long process of human historical development, that is still a temporary phenomenon.

The Chinese proletariat, though emerging later, has become mature and conscious faster. Not long after it mounted the political stage as an independent force, it rapidly grew into a conscious class by accepting the guidance of Marxism under the leadership of its vanguard--the CPC. Thus,

after they shook off the fetters of imperialism and feudalism, they would never put on the chain of capitalism which they had suffered from. Therefore, establishing a socialist system in China after winning the victory for the democratic revolution was the only choice for the Chinese proletariat and the people throughout the country.

In short, the fact that some economically backward countries established a socialist system earlier than developed capitalist countries does not contradict the basic principle of historical materialism. On the contrary, it is a proof of the correctness of the theory and it represents a great victory and an important development of scientific socialism.

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## MARX' THEORY OF LABOR VALUE BROOKS NO NEGATION

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 18-23

[Article by Hu Daiguang [5170 0108 0342] and Li Yining [0632 0110 1380]]

[Text] The theory of labor value was first put forward by bourgeois classical political economists between the mid-17th century and the early 19th century. However, their theory was very incomplete and included some unscientific points. Marx critically inherited the results achieved by the classical political economists in the study of theory of labor value, and established a completely new and scientific theory of labor value. Marx pointed out: Labor for the production of commodities has the dual nature of being concrete and abstract. Concrete labor creates the use value of commodities, while abstract labor creates the value of commodities. A commodity is the unity of use value and value. The value of a commodity is expressed in the form of exchange value, and the magnitude of this value is determined by the average social work time spent on the production of that commodity.

Marx' theory of labor value is the "entire foundation of (Marxist) political economy." ("Complete Works of Marx and Engels," Vol 26, Book 2, p 269) It was on this basis that Marx expounded the source and nature of surplus value, and consequently established the theory of surplus value. It was through Marx' theory of surplus value that the dark secrets of capitalist exploitation were exposed for the first time, and the law of historical development that capitalism is bound to be superseded by socialism was scientifically explained for the first time. For this reason, all bourgeois economists who seek to destroy the system of Marxist political economy try to negate the theory of labor value first. At present, a number of bourgeois economists are trying to negate Marx' theory of labor value on the following three questions. We must maintain a clearcut stand in defending Marx' theory of labor value and criticize the erroneous arguments spread by the bourgeois economists on these questions.

Is the Concept of Value Mysterious and Oversimplified?

Some contemporary bourgeois economists say: Value is invisible and intangible. What people can see is the price. This being the case, why don't we discard the concept of value and start from price analysis? (See "A

Reappraisal of Marxist Economy" by Wolfson, English edition, 1966, pp 43, 46)

Others think that the concept of value is oversimplified. They hold that since it does not include a time factor, that is, since past labor is not accounted for, it cannot be used for analyzing the complicated phenomena in present-day capitalist societies. They say that since credit and the monetary system now play an increasingly greater role in the modern capitalist economy, it is no longer appropriate to use this oversimplistic concept of value in making analysis. (See "Understanding the Marxian Notion of Exploitation" by Paul A. Samuelson in "Xiandai Guowai Jingjixue Lunwenxuan" [A Selection of Contemporary Writings on Economics Published in Foreign Countries], Commercial Press, 1982, p 111)

Both arguments lack a scientific basis.

The Marxist concept of value is a scientific abstraction. It is by no means mysterious. Marx always adopted the method of scientific abstraction to study social economic relations. This means discarding the nonessential and secondary aspect of a thing and finding out its most essential aspect, which is then scientifically analyzed and synthesized to obtain a concept, category and theory. Commodities are things visible to man and commodity exchange is carried out on a large scale every day. Marx found that they had something in common, that is, all commodities are labor products, and value is the embodiment of ordinary and undifferentiated human labor or abstract human labor in a commodity. This is the objective nature of the existence of value. Unless we acknowledge the existence of this common trait, that is, ordinary human labor, we will have difficulty explaining the ultimate cause of the idea of equivalence behind the exchange of commodities. The fact that contemporary bourgeois economists negate the objective nature of the concept of value shows that they do not understand the method of scientific abstraction employed by Marx. They fail to understand how Marx proceeded from the concrete, abstracted the category of value through the process of thinking, and studied in what ways do the category of value develop into concrete categories like price. These bourgeois economists content themselves with a direct perception of the market phenomenon and of prices. They assert that the concept of value "goes against everyday experience" and regard as mysterious those substantial things that lie hidden behind the market phenomenon. Actually, this viewpoint was criticized by Marx a long time ago. Marx said: If the theory of labor "goes against everyday experience," "then it will seem irrational to say that the earth orbits around the sun and that water is made up of two combustible gases. Everyday experience can only grasp the captivating appearance of a thing. If we base our judgment on this kind of experience, scientific truth will always seem irrational." ("Selected Works of Marx and Engels," Vol 2, p 178)

In the "Addenda to Volume 3 of 'Das Kapital,'" Engels tried to explain the objective nature of the concept of value by means of the process of commodity exchange under the condition of simple commodity production. He pointed out: In the Middle Ages, a peasant knew precisely how many working hours were required to produce the goods he bartered for. Both the peasant and

the person who sold him the goods were laborers, and the goods bartered for were their products. Since labor was consumed in the production of these goods, the only form of measurement to be used in the exchange process would be the amount of working hours spent on the production of these products. There simply cannot be any other form of measurement. Engels thus wrote: "Throughout the period of the natural peasant economy, this will be the only mode of exchange. In other words, there will be an increasing tendency to measure the amount of commodities for exchange by means of the amount of labor they embody." ("Collected Works of Marx and Engels," Vol 25, p 1016) This shows that the concept of value being determined by working time is drawn from daily practice. The history of exchange in human society has confirmed the objective nature of the existence of the concept of value. It is after money has become the means of exchange and merchants have become the medium of exchange that the objective nature of value is overlooked by people who pay attention to the phenomenon of exchange alone. Although the concept of value has been neglected, it does not mean that value does not exist, or that it is a mere concept.

Next, the argument that Marx' theory of labor value is oversimplified because it does not include a time factor is also untenable.

What is meant by adding a time factor to the concept of value is to calculate the amount to be added to past labor in the same way that we calculate compound interests. As we know, "past labor" simply means labor materialized in the means of production. However, during the process of production, the means of production merely shifts value onto the new products without changing the original magnitude of value. Those who advocate calculating the amount to be added to past labor by means of compound interests on the pretext of "time considerations" have confused the creation of new value with the shifting of the original value.

Is the concept of value or the method of value analysis really oversimplified and therefore inadequate for analyzing the complicated economic phenomena of modern capitalism as the bourgeois economists assert? Is it really insufficient for explaining economic problems such as credits and the monetary system? No, absolutely not. Compared with the days when Marx wrote "Das Kapital," many of the economic problems in present-day capitalist societies are far more complicated indeed. There are also new conditions and new problems which have never occurred before. However, value analysis remains the basis for analyzing these phenomena. Without value analysis, it will be impossible to profoundly expose the nature and functions of money, and to explain how money is transformed into capital for exploiting hired labor under capitalist conditions. For the same reason, it is also necessary to take value analysis as the starting point in studying the relationship between the borrower and the lender in capitalist societies. This is because in capitalist societies, deferred payment in the buying and selling of commodities and the borrowing and lending of money are both special forms of the movement of value with repayment as their precondition. They belong to the economic relations of commodity exchange and money circulation. In other words, the existence of credits is preconditioned by the existence of value. Without the concept of value and without adopting the

method of value analysis, we would have been misled by the complicated economic phenomena under well-developed capitalist conditions and unable to understand the law governing the movement of the capitalist economy.

#### What Is the Source of New Value Under Conditions of Automation?

At present, another important "argument" put forward by bourgeois economists to negate Marx' theory of labor value is: Under the new condition of well-developed science and technology and of process automation, the number of laborers directly involved in production has decreased. "Unmanned factories" have emerged in some capitalist countries. Therefore, they assert that the equipment for automation rather than workers' labor is now the source of new value, including surplus value. Among the chief advocates of this viewpoint is Ha-bo-er-mei-si [0761 0130 1422 2734 2448]. He once said: "When scientific and technological advancement has become an independent source of surplus value, there is no longer any point in calculating the amount of capital invested in research and expansion on the basis of the value of unskilled simple labor. In other words, the labor of the direct producers, which is not regarded as the source of surplus value by anyone save Marx, is becoming less and less important." ("Technology and Science Are Matters of Ideology," 1968 German edition, pp 79-80)

As we know, the process of commodity production is the unity of the labor process and the process of value formation. During the labor process, the commodity producers, as concrete labor, shift the consumed value of the means of production onto the new products and, as abstract labor, create new value. Assuming that the newly created value is exactly equal to the value received by the workers in the form of wages, then this process is also a simple process of value formation. Under capitalist conditions, however, the aim of the capitalists is to create surplus value. To achieve this, they must prolong the working hours of the workers. Thus, the process of value formation is extended beyond the above-mentioned limits to become a process of value reproduction. The process of value reproduction is also a production process of surplus value. At the same time, it is also a process of value formation in the production process of capitalist commodities.

Under capitalist conditions, the roles played by variable capital and constant capital in the process of value formation, that is, the production process of surplus value, are not the same. Variable capital, or capital spent by the capitalists on the purchase of labor power, changes its magnitude of value in the production process. It reproduces its own equivalent and leaves a remainder known as surplus value. Constant capital, or capital spent by the capitalists on the purchase of the means of production, does not change its magnitude of value in the production process. It only shifts the value of the means of production onto the new products. All machinery and equipment, no matter how advanced, are but a kind of production material--the material means used by the capitalists in the production of commodities. They do not create any new value. As constant capital, all machinery and equipment, however advanced, must be combined with workers' labor before they can produce commodities. Otherwise, they will

remain a heap of useless machines. Marx said: "Once capital is cut off from living labor, it will lose its use value and exchange value." ("Collected Works of Marx and Engels," Vol 23, p 445)

Under the present conditions of automation in capitalist production, new features can be seen in the productive labor of workers. For example, the number of workers directly involved in the production process has been reduced, the labor productivity of workers has been greatly raised, and the number of working hours required for the production of unit products has been greatly shortened. Can we thus assert that Marx' theory of labor value and theory of surplus value are outmoded? Obviously we cannot.

In modern capitalist societies, unmistakable changes have taken place in the composition of laborers in enterprises following the advancement of science and technology and the spread of process automation. In the direct production process, the number of unskilled workers has dropped but that of skilled workers has increased. At the same time, the number of workers in the entire enterprise who indirectly take part in production to complete the same production process has also increased. However, changes in the composition of labor cannot change the basic fact that the living labor of workers is the source of newly created value. Engineers, technicians, designers, and skilled workers employed in automated enterprises of the capitalist material production sector are people engaged in productive labor just as the unskilled workers. They are all subject to capitalist exploitation and are creators of new value.

On the other hand, despite the reduction in the number of laborers engaged in the direct production process in these capitalist enterprises which are equipped with automatic production facilities, even in the number of people employed in the whole enterprise, there is an unmistakable increase in newly created value within the same unit time and in the surplus value achieved by these enterprises. This is because the magnitude of value of a commodity is not determined by the specific working hours of individual producers. Rather it is determined by the average necessary working hours or socially necessary working hours consumed in the course of commodity production. For this reason, although capitalist enterprises equipped with automated production facilities produce commodities with a higher specific value than social value, they can sell their commodities according to the social value and achieve excess surplus value. This is why capitalist enterprises equipped with automated production facilities can make more profits than those which are not. However, this can in no way prove that excess surplus value is created by automated production facilities. Excess surplus value is a kind of relative surplus value. It comes from the living labor of workers. This fact has not changed in the slightest because of modern scientific and technological advancement.

What Is the Essence of "The Theory of Exploitation Without the Theory of Labor Value"?

The "theory of exploitation without the theory of labor value" is a view preached by contemporary bourgeois economists to oppose the economist theory

of Karl Marx. Paul A. Samuelson and Ian Steedman are the chief representatives of this argument. Samuelson's "Understanding the Marxian Notion of Exploitation" carried in the JOURNAL OF ECONOMIC LITERATURE in 1971 and Steedman's "Marx After Sraffa" published in 1978, both give concentrated expression to this view.

Do Samuelson and Steedman really want to explain how capitalist exploitation occurred and operated? No.

The "theory of exploitation without the theory of labor value" which Samuelson and Steedman tried to establish is mainly based on the theory of production cost and distribution determinant advanced by Piero Sraffa of Cambridge University in his 1960 book "The Production of Commodities by Means of Commodities." Unlike Samuelson and Steedman, Sraffa, as a follower of the economic theory of David Ricardo, attempts to tackle Ricardo's puzzle of finding "a constant measure of value" by means of quantitative analysis. Sraffa himself has never discussed in great detail Marx's teachings concerning the interrelations between prices, production cost and the theory of labor value. Samuelson and Steedman make use of Sraffa's viewpoint and advance the "theory of exploitation with the theory of labor value" to negate the system of Marxist political economy.

What arguments of Sraffa have Samuelson and Steedman made use of in the main? On the one hand, Sraffa has proved that under known technical conditions, it is possible to determine the amount of labor contained in a commodity by means of the amount of past labor or by assuming a zero rate of profit (that is, assuming that the entire national income is spent on wages). On the other hand, Sraffa has also proved that fixed technical conditions and with one of the two distribution variables (wages and the rate of profit) already known, it is also possible to determine production cost without touching upon the amount of labor contained in different commodities. Thus, although Sraffa has not directly discussed the relations between value and production cost, Samuelson and Steedman believe that according to Sraffa's method, it is possible to directly work out the production cost after deciding on wages, worker's consumption pattern and the technical coefficient of production, since value and production cost are both determined by the same obvious technical factors. This is how they prove their "theory of exploitation without the theory of labor value."

Samuelson and Steedman hold that exploitation simply means the difference between the "subsistence wage rate" (that is, wages for minimum daily necessities essential to guaranteeing the reproduction of labor power) and prices or production cost that include a given rate of profit. Since it is possible to directly work out the rate of profit and production cost according to Sraffa's method, why is it necessary to proceed from value analysis? Why is it necessary to proceed from the theory of labor value to trace the existence of exploitation step by step? Is it not possible to find out the existence of capitalist exploitation by directly linking a given "subsistence wage rate" with a rate of profit and production cost and working out the difference? Thus, Samuelson and Steedman argue that value analysis not only is uncalled for but is stupid. Moreover, Samuelson and Steedman also hold

that since Marx had not solved the problem of how value is transformed into production cost, there is no way of solving the problem of capitalist exploitation if we adhere to Marx' theory of labor value. This is the basic argument of the "theory of exploitation without the theory of labor value."

As we know, the argument that there exist irreconcilable contradictions between Marx' theory of value and theory of production cost can be traced back to the end of the 19th century. Actually, what Marx said in "Das Kapital" on these issues are very clear. The so-called irreconcilable contradictions noted by the bourgeois economists do not exist. Therefore, the argument put forward by contemporary bourgeois economists that Sraffa has provided us with a perfect "solution" to the "transformation of value into production cost" is groundless. At the same time, we must point out that Sraffa has confused the different roles played by materialized labor and living labor in the process of value formation in his argument on making use of the amount of past labor. Sraffa, in attributing the shaping of production cost and the result of its changes to technical conditions, also has obliterated the effect of the keen competition among capitalists on equalizing the rate of profit. Thus, Sraffa's arguments will only lead people astray and make them misunderstand Marx' theory of labor value. They will not contribute to explaining how value is transformed into production cost.

Samuelson and Steedman not only base themselves on Sraffa's erroneous theory of production cost as a determinant, but are also unscientific in their argument for the "theory of exploitation without the theory of labor value." They just cling madly to mathematical inference and content themselves with changes in superficial appearance. They do not understand that the question of the transformation of value into production cost must be viewed from the historical and logical processes.

From the historical angle, the transformation of value into production cost is the inevitable result of the development of the capitalist relations of production at a certain level. This transformation proves that equal profits for equal capital does not go against the law of value, but is realized on the basis of the action of this law. Marx once pointed out: "From the following we can find a proof as accurate as mathematics; how can the capitalists behave as hypocritical brothers in their competition and yet unite into a genuine mutual-aid organization when they are faced with the entire working class?" ("Collected Works of Marx and Engels," Vol 25, p 221) Thus, the transformation of value into production cost reflects an intensification of exploitation by the bourgeoisie over the proletariat and the sharpening of contradictions between these two classes. If we do not observe and study from the historical angle and simply draw inferences with mathematical formula, how can we illustrate the real facts of capitalist exploitation?

From the angle of logic, it is also groundless to argue that one can see the existence of exploitation directly from the difference between wages and profits or from the difference between wages and production cost without relying on value analysis. We should know that prices and profits are but

the appearance of things, while value and surplus value are the essence of things. The average rate of profits and production cost reflects the actual relations among the different classes in a capitalist society. On the whole, the rate of profits is determined by such factors as the rate of surplus value, the total amount of prepaid capital, the organic composition of capital, and the rate of capital turnover. Only when there is a rate of surplus value will there be specific rates of profits; only when there are specific rates of profits will there be an average rate of profits; and only when there is an average rate of profits will there be production cost. Marx pointed out: "Production cost is preconditioned by the existence of a general rate of profits, and this general rate of profits is preconditioned by the fact that the rate of profits of each special production department has already been turned into the same average rate. These special rates of profits...must be inferred from the value of commodities. Without this inference, a general rate of profits (and consequently the production cost of commodities) will only be a meaningless concept that is devoid of content." ("Collected Works of Marx and Engels," Vol 25, p 176) This clearly shows that without the theory of labor value, it is simply impossible to draw the concept of the rate of profits and the concept of production cost. How can we prove the existence of exploitation without value analysis?

If we analyze this further, it will not be difficult to see that Samuelson and Steedman have secretly replaced the concept of exploitation here. What Marx discussed was exploitation in a scientific sense, that is, exploitation during the process of capitalist production. We must know how money is transformed into capital and labor into commodities, recognize the distribution between the value and use value of labor, and understand the roles played by variable capital and constant capital in the process of value formation, before we can comprehend how surplus value is created and how it is appropriated without compensation by the capitalists. If we think that Marx' idea of exploitation is based on the contrary relations between wages and profits, we would be viewing exploitation as a phenomenon arising from the process of circulation and as a result of any kind of exchange of unequal values. In other words, exploitation would be regarded merely as a result of the "unequal" distribution of income. This is the viewpoint of vulgar economics criticized by Marx.

Through the above analysis, it is not difficult to see that the real intention of Samuelson and Steedman in preaching the "theory of exploitation without the theory of labor value" is to convince the working people of capitalist countries with an unscientific economic theory that they should no longer believe in the Marxist theory of proletarian revolution and should instead pin their hope for a better life on the policies adopted by their bourgeois governments for the distribution of income. According to the "theory of exploitation without the theory of labor value," it seems that the important conclusion drawn by Marx in "Das Kapital"--the expropriation of the expropriators--would be something uncalled for if the bourgeois governments are to enforce some kind of income distribution policy to make the distribution of income in the capitalist countries "more equal" and readjust to a certain extent the ratio between wages and profits, say by levying taxes on profits, subsidizing the wage earners, and imposing some



limit on the rate of profits in labor-capital negotiations so as to increase the wage rate. According to Samuelson and Steedman, since exploitation is the result of the exchange of unequal values and is the product of an improper ratio between wages and profits, then there is no necessary link between exploitation and the capitalist system of the private ownership of the means of production. Therefore, it is possible to "eliminate" exploitation even without changing the capitalist system of the private ownership of the means of production. In other words, bourgeois countries can become so-called "welfare states" where "distribution of income is equal," or "modern civilized countries without exploitation." This fully shows that the "theory of exploitation without the theory of labor value" is opposed to the revolutionary movement of the world proletariat. It benumbs the working class of capitalist countries, making them unable to understand that they are subjected to exploitation because of the capitalist system of wage labor. It causes them to fall into the mistake of thinking that the reformist measures of the capitalist countries can lift the exploited out of their predicament and thus to give up the idea of "using their own organized strength as the lever to ultimately emancipate the working class, that is, to ultimately eliminate the system of wage labor." ("Selected Works of Marx and Engels," Vol 2, p 204)

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STUDY COMRADE CHEN YUN'S WORKS PUBLISHED DURING THE PERIOD AFTER THE  
FOUNDING OF THE COUNTRY

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 24-30

[Article by RED FLAG Theoretical Education Editorial Office; passages  
enclosed in slantlines published in boldface]

[Text] III. On the Transformation of Capitalist Industry and Commerce by  
Peaceful Means

The socialist transformation of capitalist industry and commerce realized in our country is a radical change for the capitalist system of private ownership of means of production, and is the first instance in the history of socialist revolution. This work was directly under the direction and guidance of Comrade Chen Yun. Many of his articles have brilliantly expounded this important question and embodied his vigorous guidance on this aspect of the socialist revolution. In this respect, the following five points should be emphasized in studying his works:

/1. Both assistance and restriction were given to capitalist industry and commerce./

In our country, national capitalism was different from bureaucratic capitalism. Therefore, with respect to national capitalism, our party did not adopt the policy of confiscation which was enforced for bureaucratic capital, but employed the policy of utilization, restriction, and transformation. In the initial stage after liberation, capitalist economy occupied an important position in our national economy and played a prominent role. In the capitalist industrial sector, there were more than 123,000 units with a total number of staff and workers of over 1,640,000, which constituted 54.6 percent of the total number of staff and workers of the whole country on the industrial front. The total output value of the capitalist industrial sector amounted to over 6.8 billion yuan, 63.2 percent of the total industrial output value. The capitalist economy was primarily concentrated on light industry and textile industry, which were closely related to the life of the people. The light industrial and textile products and the commercial channels they provided played an important part in satisfying the needs of the people's livelihood and in promoting material exchanges between cities and rural areas. The capitalist

industrialists and merchants possessed certain experience in management and marketing, which was useful to developing production and to training management and marketing personnel. At the same time, the state could, through taxation, draw a certain amount of construction capital from the privately owned enterprises. Comrade Mao Zedong said: "The privately run industry and commerce with about 3,800,000 workers and staff are a great asset of the state and play a very important role in the national economy and the people's livelihood." ("Selected Works of Mao Zedong," Vol 5, p 99) Therefore, at that time we allowed the capitalist industry and commerce to continue to exist and to have a certain degree of development. When the capitalist industry and commerce met with difficulties, the state economy even rendered them appropriate assistance and preferential treatment. For example, in the second half of 1950, commodity prices on the market were basically stable. At this time, great quantities of materials which had been stored away by some people during the period of inflation, and great batches of commodities which had been hoarded up for speculation were all dumped on the market. In addition, the phony strong purchasing power which resulted from abnormal buying activities due to long-term inflation disappeared. All this caused privately run industry and commerce to be confronted with instantaneous problems such as the stagnant sales of commodities, the suspension of operations of factories and shops, and an increase of unemployment rate for the workers. Confronted with this situation, in accordance with the policies of the CPC Central Committee, Comrade Chen Yun proposed that privately run industry and commerce be given the necessary assistance: The state-run enterprises should give the privately run factories processing or assembly orders, and organize them to effect production and marketing; the scope and prices of marketing for privately run commerce should be adjusted so that reasonable profits could be procured; and at the same time, taxation should be reorganized so as to alleviate the tax burden of privately run industry and commerce, and loans and credit should be granted. Owing to the assistance of the state and the efforts of the broad staff and workers, privately run industry and commerce scored a certain degree of development in this particular period.

However, the inherent nature of the capitalist class is to be always intent on making profits only. It not only exploits the surplus value created by the workers, but also spares no effort to manipulate the market and commodity prices so as to exploit the small producers and the consumers. Free market is a "paradise" for the activities of capitalists, and many capitalists rely on the free market to grab stunning profits. So long as the capitalist economy exists, fierce struggles centering on the market will never cease. For example, at the initial stage after liberation, the capitalists took advantage of the temporary difficulty in our country's finance and economy and the instability of commodity prices on the market, and hoarded a large quantity of materials for speculation in an attempt to vie with the socialist state economy for an advantageous position. After the commodity prices became stabilized, some capitalists, in order to procure huge profits, used various means to corrupt and bribe the working personnel of the state, evade taxes, steal state property, use inferior products to obtain standard prices in state contracts, obtain economic

information through illegal methods, and conduct other illegal activities. After the movements of "the three antis" and "the five antis" our country began to carry out large-scale economic construction beginning from 1953. In this period, some speculative merchants again utilized the contradiction between demand and supply for some commodities and tried to vie with state-run commerce for markets of grain and other products. As a result of the contention by private businessmen, some state-run commercial departments could not fulfill their tasks of purchase and sales and their sales volume dropped. In the wholesale markets of some big cities, there was the abnormal phenomenon of "the public sector retreating while the private sector advanced." For example, with regard to the total amount of trade in wholesale business in Shanghai, state-run commerce constituted 59 percent in the first quarter, and the figure decreased to 56 percent in the second quarter; in the same period, the proportion of private commerce rose from 39 percent to 42 percent. In 1953, the sales volume of private commerce in the country rose by 15.1 percent as compared with the previous year, which was 6 times the average speed of increase in the previous 3 years. Therefore, restricting capitalism's sphere of activity on the market and changing the ratio of strength on the market between socialism and capitalism was the first thing which needed to be done at the initial stage of the socialist transformation on capitalist industry and commerce.

At that time, under the leadership of the CPC Central Committee and Comrade Mao Zedong, Comrade Chen Yun adopted a series of important measures in the fields of finance and economy and dealt a heavy blow at the capitalist speculative activities, thus stabilizing the commodity prices on the market. Soon afterward, the scope of state purchase and sales, the processing contract and ordering for state-run commercial and industrial products was expanded, private wholesale commerce was partly pushed aside on many industrial product markets, and the activities of private business were restricted. Then, planned purchase and planned supply were implemented on several principal agricultural products such as grain, oil, and cotton, and thus the scope of activity of the private businessmen in the field of agricultural products was restricted. The implementation of all these important measures caused a radical change in the market relationship in our country, and state-run commerce gradually replaced private commerce in terms of the wholesale business. By the end of 1953, the proportion of the state wholesale business reached 70 percent or so. The major portion of the private retail business had to rely on state-run commerce and cooperative commerce for the supply of commodities. In this way, the sphere of activity for the old free market was greatly reduced, and the unified management on the market and the leadership and supervision on private business by the state commerce became increasingly strengthened and consolidated. This change in the market relationship provided an important precondition for the socialist transformation of private industry and commerce.

/2. Transformation was combined with planned arrangement and reorganization./

The socialist economy is a planned economy, and the major portion of the national economy must be incorporated into the state plan. But capitalist

industry and commerce are founded on the basis of private ownership by the capitalists, and production and marketing exhibit a great degree of blindness which is incompatible with planned economy. In 1953, the contradiction became more conspicuous with the relatively great development of the capitalist industry and commerce. In view of this situation, Comrade Chen Yun pointed out in 1954 that "under the leadership of the state-run economy and under the condition that the socialist elements should be ensured of increasing steadily, rational arrangements and overall considerations should be given to the industries run by the state, the cooperatives, industries jointly run by the public and private sectors, and the private industry. The capitalist blindness should be opposed, and the spontaneous force of capitalism should be checked. The above-mentioned four kinds of industries should be handled under the state plan." As for the main materials they needed and their products, overall planning and consideration should be effected. In 1955, Comrade Chen Yun further pointed out: "Overall arrangements on a nationwide scale should be made for the production of various trades. Overall arrangements here meant overall planning. If only the state-run sector has plans and the private sector has no plans, it cannot be termed overall planning. Furthermore, in these circumstances the plans of the state-run sector will eventually be undermined by the private sector which has no plans and whose production is without control." At that time, "indirect planning" was implemented toward private industry and commerce. That is, the production and sales of the principal products of the private sector were to be conducted in such a way that they would carry on according to the requirements of the state, so that blindness in production could be gradually overcome. In fact, the planned arrangements for private industry and commerce amounted to a certain degree to their transformation. This practice of combining normal production and marketing with a certain degree of transformation helped to facilitate the smooth progress of the entire work of transformation for private industry and commerce.

At the same time, the capitalist economy had developed in the old society, and the majority of it was composed of scattered and backward large and medium enterprises, with irrational structure and unbalanced development. Many of these enterprises could not undertake the tasks in production if they were placed under the state's overall planned arrangements, and they needed to undergo rational restructuring. Comrade Chen Yun said that in order to carry out the transformation for private industry and commerce in the country, overall planning for production should be made and the necessary restructuring work should be carried out, or else the transformation work could not proceed at all.

The planned arrangements for private industry and commerce included the supply of basic materials and the sales of important products. The main measures practiced were planned contracts for processing and ordering, and unified purchase and marketing controlled by the state. At the same time, in accordance with the needs of society and the objective possibility, major or minor reorganization work was carried out for private industry and commerce, so that those enterprises whose products were needed by society but were without sufficient productive capacity could be helped to

develop, and those enterprises whose products were not needed or partially needed by society but with surplus productive capacity could be controlled, some being amalgamated and some suspended. Through the planned arrangements and restructuring, the structure of the capitalist economy achieved a rather considerable change and its blindness in production was overcome to a certain extent. The private enterprises began to gradually embark on a path that better conformed to the plans of the state and the needs of society, and this had created very favorable conditions for the implementation of socialist transformation.

/3. Through the form of state capitalism, transformation was conducted step by step and from the lower stage to the higher stage./

In our country, the socialist transformation for capitalist industry and commerce was conducted through the form of state capitalism. Long ago, Lenin already put forward the question of transforming capitalism with state capitalism. He said: "State capitalism is capitalism which we can control and whose sphere of activity we can regulate, and this type of state capitalism is closely related to the state." ("Collected Works of Lenin," Vol 33, p 244) "It should be ensured that the state capitalism in a proletarian state cannot and dare not exceed the sphere and conditions which are confined by the proletariat, the conditions which are beneficial to the proletariat." (Ibid., p 276) "All problems, whether theoretical or practical, lie in how we can find out a correct method, that is, how we can guide the development of capitalism--which is inevitable to a certain degree and in a certain period--to the road of state capitalism, under what conditions we can accomplish this task, and how we can ensure that state capitalism will be turned into socialism in the near future." (Ibid., Vol 32, p 336) Our party found out "the correct method" indicated by Lenin in the course of our revolutionary practice, guided capitalism to state capitalism, and then turned state capitalism into socialism. This is a correct road of carrying out socialist transformation on capitalism, and this road was opened up creatively by our party and was suited to the concrete conditions in China.

The purpose of our guiding the capitalist industry and commerce to the road of state capitalism was to fully utilize the then capitalism's beneficial function to the national economy and the people's livelihood, to restrict its harmful function to the national economy and the people's livelihood, and to realize its gradual transformation in the course of this process. The various forms of state capitalism all developed under the leadership of the working class and under the condition that the socialist economy played the leading role, and this process was advancing gradually and in an orderly way, and in the form of a lower stage moving to a higher stage. The lower forms of state capitalism were contracted processing and ordering, unified purchase and sales, sales in the capacity of agents or distributors through consignments; and the higher forms were the joint state-private ownership (of a single enterprise or of all the enterprises within a trade).

Contracted processing and ordering by the state, a primary form of state capitalism, were implemented at the early stages after the founding of the country, and they were adopted at that time for the purpose of resuming production and as a means of grasping the industrial products for daily use by the state, and as a means of regulating and making arrangements for capitalist industry and commerce. This form was beneficial to the resumption and development of the capitalist production at that time, and was easily accepted by the capitalists. Also it facilitated the transformation work on capitalist industry and commerce. After large-scale economic construction began in 1953, comprehensive development was recorded for contracted processing and ordering by the state, through which the socialist economy established connections with the capitalist economy in the field of circulation, the blindness and speculative nature of capitalism were restricted, and the act of profiteering by capitalists was checked. In effect, the capitalist enterprises were thus guided initially onto the road of transformation.

The form of contracted processing and ordering did not change capitalist private ownership. The fundamental contradiction of capitalism, or the contradiction between the social nature of production and the private ownership of the means of production, had not been resolved, and the contradiction between the exploiting capitalists and the exploited workers was still present. Comrade Chen Yun said that private enterprises could not further increase their production if they stayed at the stage of contracted processing and ordering, because the processing materials were furnished by the state and the capitalists' processing charges were calculated in proportion to the cost which was closely associated with the materials; the charges would increase with the increase in cost, so they were unwilling to economize on materials and lower the cost so that their processing rate could be maintained. Therefore, the introduction of joint state-private ownership was the way to solve this problem.

Compared with contracted processing and ordering by the state, joint state-private ownership was a step forward, constituting the higher form of state capitalism. It made the socialist economic elements and the capitalist economic elements advance from outside connections to inside connections, and the means of production in the enterprises was turned from private ownership by capitalists into joint ownership by the state and the capitalists. Furthermore, the socialist economic elements were the leading elements in the enterprises. All this caused profound changes in the relations of production in the enterprises.

The process of the joint state-private ownership was divided into two stages: joint state-private ownership for individual enterprises and joint state-private ownership for the whole trade. After some individual enterprises became jointly owned units, a kind of contradiction in time developed between those units with joint ownership and those units without joint ownership. When a large enterprise in a trade became a jointly owned unit, its production developed rapidly, with the result that the medium and small enterprises without joint ownership "did not have enough to eat" and could hardly maintain their production. Therefore, all-round

arrangements had to be made so that the whole trade should become state-private owned. In his article entitled "The New Situation and New Tasks in the Transformation of Capitalist Industry and Commerce," Comrade Chen Yun said that the realization of all-trade joint state-private ownership was "the result of economic development" and, therefore, "since production and reorganization are conducted on the basis of a whole trade, the realization of joint state-private ownership for the whole trade is inevitable." All-trade joint state-private ownership is the final stage of state capitalism in our country. Just as Comrade Chen Yun pointed out, it "eliminates the boundary between factories and is a kind of progress. By doing so, not only can the productivity be raised, but also the transition to complete socialist ownership will be facilitated." After the realization of all-trade joint state-private ownership, radical changes took place in relations of production for the enterprises. By this time, all the means of production of the enterprises changed from common ownership by the state and the private sector to unified management and utilization by the state, and the actual management power of enterprises and factories fell into the hands of the state. The state paid fixed interest to the capitalists according to the value of their fixed assets. Fixed interest was the fixed profit for the private shares within a given period of time. The private shares kept by the capitalists were but certificates for obtaining the fixed interest. The capitalists participated in a portion of the management work in the capacity of common working personnel and not in the capacity of capitalist managers as before.

The adoption of the form of state capitalism in transforming private industry and commerce showed different characteristics with regard to different trades. As early as in the period of the recovery of the national economy, joint state-private ownership had been implemented for the private financial business, because it was the "nerve center" of the capitalist economy. This kind of jointly owned bank was different from the normal jointly owned bank in that the former was not an independent banking corporation but was an agent for handling transactions designated by the state bank and was practically a savings office for the people's bank. As for the private transportation trade, the units were organized on the basis of strengthened management, with some forming joint state-private owned enterprises and some becoming transportation cooperatives. As regards private commerce, the forms of transformation were more numerous because the situation was more complicated. In the summer of 1954, Comrade Chen Yun put forward the idea that the transformation for private commerce should be conducted in such a way that arrangements should be in conjunction with advance, and that when a trade gained an advance, arrangements should follow up.

/4. Transformation of capitalist industry and commerce by peaceful means is a creation in the history of socialist revolution./

The transformation of capitalist industry and commerce by peaceful means is a radical change for the capitalist private ownership of the means of production. In all history, both at home and abroad, contemporary as well as ancient, changes of ownership of the means of production, including the change from capitalist private ownership into socialist public ownership, as



a rule would cause numerous and successive social upheavals, with production disrupted and even great quantities of lives and property lost. As to the socialist transformation of capitalist industry and commerce in our country, although a complex, difficult, and profound process of social change had been witnessed, also accompanied by class struggle, yet no social turbulence was caused, and production, instead of being disrupted or hampered, experienced a relatively great increase. In 1956, the total output value of joint state-private owned industries and enterprises increased by 32 percent over the previous year; and the retail volume of jointly owned commercial units, cooperative shops, and cooperative groups increased by 15 percent over 1955. Owing to the successful realization of the peaceful transformation of capitalist industry and commerce, the socialist state-run economy quickly developed, thus strengthening the economic basis of socialism and creating better conditions for the consolidation and construction of modernization in our country. The socialist state-run economy occupies a leading position in our national economy. Its development and expansion help to provide adequate conditions for the various economic forms in our country, to ensure the advance of the collectively owned economy along the road of socialism, and to ensure that the individual economy plays its role in the direction of serving socialism. At the same time, because the state-run economy is the leading element in planned economy, the expansion of the state-run economy amounts to the strengthening and consolidation of planned economy, thereby facilitating the unified leadership of the economic work. In the course of the transformation, we treated the contradiction between the working class and the national bourgeoisie as the contradiction among the people, thus realizing the aim of transforming the bourgeoisie and utilizing its culture and expertise. Comrade Chen Yun said: "The change of the private ownership of enterprises to the system of socialist ownership took place long ago in this world, but it is unprecedented to have adopted such a means that made the industrial and commercial circles of this country accept this change with such an atmosphere of exultation." In spite of some shortcomings and defects in the course of transformation, the brilliant success of this socialist revolution still shone with full splendor.

The practice of the peaceful transformation of capitalist industry and commerce in our country has realized the presumption of the classical writers of Marxism, that under certain conditions redemption can be practiced in relation to the bourgeoisie. Marx and Engels asserted long ago that if peaceful redemption could be used to turn the assets of the capitalists over to the possession of socialist states, it would be "the cheapest possible thing" for the proletariat. ("Selected Works of Marx and Engels," Vol 4, p 315) Lenin also pointed out after the October Revolution in Russia: "Under certain conditions, the workers will never refuse the practice of redemption from the bourgeoisie." ("Selected Works of Lenin," Vol 3, p 548) He said that "efforts should be made to achieve compromise, or to effect redemption with the civilized capitalists, that is, the capitalists who can accept 'state capitalism' and can implement 'state capitalism,' who can organize large-scale production to provide the broad masses with their products, and who are beneficial to the proletariat." ("Collected Works of Lenin," Vol 27, p 319) Because the historical conditions for the

classical writers of Marxism were different from ours, their presumption could not be realized at that time. After the October Revolution in Russia, although Lenin twice proposed that state capitalism be developed, the results were insignificant. But we, in a large country inhabited by one-fourth of the world's population, realized their presumption in a few years' time, and succeeded in eliminating the capitalist private ownership of the means of production. This is indeed a great historical victory and is a creation in the revolutionary history of socialism. This revolution has provided useful experiences for many economically underdeveloped countries in the world concerning problems such as how to correctly handle the numerous and scattered medium and small private industrial and commercial enterprises after the proletarian class comes to power, how to change their private ownership, and how to conduct the transition to socialism. The practical experience of our adopting peaceful means to transform capitalist private ownership is an enrichment and a development of Marxism.

/5. Earnestly sum up historical experiences and lessons, and do a still better job in reforming the system of economic management and in other work items./

On the whole, our socialist transformation of capitalist industry and commerce is very successful. This is fully affirmed in "Resolution on Certain Historical Questions of the Party Since the Founding of the Country." At the same time, the "resolution" also pointed out: "There were also shortcomings and deviations in this work" and "after the summer of 1955, with regard to the cooperative transformation of agriculture and the transformation work on handicraft industry and individual commerce, the demand was too rash, the work too rough, the change too quick, and the forms too simple and generalized, resulting in some long-term problems left over therefrom. After the basic completion of the transformation of capitalist industry and commerce, the utilization and treatment concerning the original industrialists and merchants were not very appropriate." The defects in the work of transformation for capitalist industry and commerce included overconcentration of production and marketing, overamalgamation of small enterprises and small shops, insufficient attention paid to technical knowhow and experience of management and marketing, and so on. Although this phenomenon had much to do with the vigorously developing revolutionary situation at that time and was not entirely determined by men's subjective wishes, nevertheless the experience and lesson therein deserves our attention and summarization. As can be seen from the works of Comrade Chen Yun, many defects and maladies in the course of the transformation work had been pointed out by Comrade Chen Yun at that time, but they were not corrected in time. Hence there were some problems left over from the work of transformation. For example, at the beginning of 1956 when the socialist transformation was still in progress, with specific reference to some defects existing in the work such as the overconcentration of production and marketing, Comrade Chen Yun pointed out that because of the great number of small shops and vendors, it would be disadvantageous to treat them in the same manner as we treated capitalist commerce, and individual operations should be permitted for them over a long period of time; individual operations should also be permitted for those handicraftsmen and vendors;

regarding the joint state-private owned factories, the majority of them should remain stable and only a small portion needed to be adjusted, and those units wrongly amalgamated should be divided and returned to their original status; and in the socialist society, for a long period of time shops run by couples or by the female members of the family would be needed. He later pointed out: "In terms of the operations of industry and commerce, operations run by the state and the collective are the main elements in industry and commerce, but they are complemented by a certain quantity of individual operations." In connection with the shortcoming that centralized management was too extensive and too rigid at that time, he also proposed that under the unified leadership of the state, the power of the local organs and enterprises should be extended, and a certain proportion of the profits and controlled materials produced by the local enterprises should be permitted to be kept as reserves by these enterprises. Unfortunately these correct ideas of Comrade Chen Yun were not adopted in practical work. Some factories and shops were blindly amalgamated, and production and marketing were too concentrated, with the result that the varied requirements in the people's life could not be flexibly satisfied. Especially in 1958, when the "Big Leap Forward" took place and also in a period after this, "large scale" and "public ownership" were also blindly pursued in the cities, with the result that few individual economic units were left and collective economy was "upgraded" incessantly. Finally, almost all of the economic units were purely state-run units which could hardly suit the varied needs of society. At the same time, the power of local organs and enterprises was too small. All these have been problems even up to the present, which need our studies so as to conduct reforms on the system of economic management. Today, we are again studying the works of Comrade Chen Yun, which should facilitate our summing up correctly the historical experience, as well as the work of reforming, the system of economic management.

At that time, Comrade Chen Yun also pointed out that while transforming the capitalists, importance should be attached to, and utilization made of, their production techniques and knowhow in management and marketing. He said: "In China, among different classes such as the feudal landlord class, the bureaucrat-capitalist class, the national bourgeoisie, the peasant class, and the working class, the class with a high level of education and with a great number of intellectuals is the national bourgeoisie." In his article entitled "New Problems After the Basic Completion of the Socialist Transformation," Comrade Chen Yun said: "The majority of our national capitalists possess different degrees of knowledge in production technology and in management and marketing. Their production technology and useful knowledge of management and marketing are needed by us." It would be disadvantageous to the cause of the working class if they are not utilized. This correct view of Comrade Chen Yun was not properly regarded and put into practice, so that for a long time many people have had the wrong ideas and practice of slighting production technology and experience in management and marketing, and of slighting the intellectuals who possess that knowledge and experience. This phenomenon has not been put right until now in certain departments and in certain regions. Today we are studying the works of Comrade Chen Yun once again and this will help to rectify this

wrong tendency. In his article entitled "The Capitalist Personnel Should Be Utilized," Comrade Chen Yun said: "Of the production techniques and experiences in management and marketing of the capitalists, a considerable portion is useful. We should regard this portion of good things as our national heritage and preserve them." He also held that this treasure was "at least as great as that treasure of the capitalists in terms of the means of production." After the socialist transformation, the personnel of the capitalist sector have become working persons who live on their own labor, and many of them have become working personnel of the state. Therefore, we should attach more importance to bringing their strong points into play and making them serve the construction of socialism.

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## THE PROCESS AND EXPERIENCE OF TRANSFORMING CAPITALIST INDUSTRY AND COMMERCE

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[Article by Xu Xuejun [1776 7185 4596]]

[Text] To carry out socialist transformation of national capitalist industry and commerce and to make socialist ownership by the whole people gradually replace private capitalist ownership were important tasks in the socialist revolution in China. According to the specific conditions of the country, we did not confiscate capitalist industry and commerce; instead, we resorted to the policy of making use of, restricting and reforming, and purchasing policy and consequently transformed the ownership.

The process of the socialist transformation basically can be divided into the following three stages:

The first stage was between 1949 and 1952. This stage was characterized by the struggles between restriction and antirestriction during the period of the national economic rehabilitation and by the initial reorganization and reformation of capitalist industry and commerce.

Following the founding of the new China in 1949, the people's government began to rehabilitate the national economy that had been seriously damaged by imperialism and by KMT reactionaries. But this move was taken advantage of by capitalist profiteering power which used its economic strength in carrying out such activities as putting the financial market into a chaotic situation, stockpiling goods and increasing the prices of goods in its efforts to control the market and to have a trial of strength with the socialist state economy. The party and the people's government took measures to crack down on capitalist profiteering power and at the same time they helped the private enterprises that were in the interest of the national economy and of people's livelihoods to overcome difficulties and to restore production and business through providing loans, arranging state orders for the production of materials or supply of manufactured goods or through purchasing their products. In June 1950, financial revenues and expenditures were almost balanced. And on the basis of stabilizing prices, measures were also taken to rationally readjust industry and commerce. The main content of this readjustment was to readjust the relations between public and private sectors, employers and employees, and production and

sales, the main method for readjusting the relations between public and private sectors included expanding the volume of the orders placed by state with private enterprises for providing materials or supplying manufactured goods as well as the purchases of their products, and properly readjusting certain business spheres of private industry and commerce, wholesale and retail price disparity, and regional price disparity. The readjustment of the relations between employers and employees was mainly centered on establishing employer-employee consultative conferences in private enterprises. On the basis of the interest of both employers and employees and of democratic principles, the problems concerning the interest of both sides were resolved through consultation. In readjusting the relations between production and sales, the state financial departments held a series of national specialized meetings in 1950 in grain processing, transportation and sales of salt, and the production and sales of general merchandise to discuss and solve unbalanced situations in the production and sales of some trades and to work out plans for the production and sales of various trades.

Thanks to the readjustment of industry and commerce, capitalist industry and commerce were at last rehabilitated and developed. Financial surplus for the whole of 1950 was estimated at more than 3.7 billion yuan, an increase of 90.8 percent over the previous year. But some persons in the capitalist class were not satisfied with this achievement. They resorted to such illegal methods as using inferior materials and turning out substandard products, evading taxes, stealing state property, stealing state economic information, and bribing in their bid to seek exorbitant profits, oppose the leadership of the state economy, and seriously endanger the national economy and people's livelihoods. Statistics showed that in the first half of 1952, of the total of more than 450,000 private industrial and commercial households in 9 major cities such as Beijing, Tianjin, Shanghai, Guangzhou, Wuhan, and Shenyang, more than 340,000 were involved in the above-mentioned illegal activities, and they made up 76 percent of the total number of households. In order to repulse this brazen attack by the capitalist class the party and government mobilized the broad masses of staff and workers to launch a campaign against "five evils" in 1952. This movement was another major struggle between restriction and antirestriction that followed the previous measure of hitting at profiteering power. The party and government followed the principle of being strict in struggle and lenient in handling matters and punished the related capitalist industrial and commercial households according to the extent of their offenses. Of all these households, 10 to 15 percent abided by the law; 50 to 60 percent basically abided by the law; 25 to 30 percent equally abided by and offended against the law; 4 percent seriously offended; and 1 percent totally offended. The victory of the struggle against the "five evils" politically helped consolidate the leadership of the working class and economically helped consolidate the leadership of the state economy. The capitalist class was profoundly educated and through the inspection and supervision of the broad masses of people, improvement was made in the business management of capitalist industry and commerce.

Through initial reorganization and transformation during this period, the industry and enterprise in relation with state construction and

with the people's livelihood made a certain development. The trades that engaged in stockpiling goods, cross trading, and financial profiteering, luxurious consumer trades, intermediary service trades, and the trades that developed blindly were weakened or eliminated. Output value and operating revenues of capitalist industry and commerce were increased during this period. But as the socialist state economy developed fairly rapidly and some capitalist enterprises were changed into state capitalist enterprises, the proportion of capitalist industry and commerce in total industrial output value and in total commercial operating revenues dropped. The production output value of the production and sales undertaken by capitalist industry itself dropped from 55.8 percent of total industrial output value in 1949 to 17.1 percent in 1952. Of total retail value of commodities, the figure for private commerce dropped from 85 percent in 1950 to 57.2 percent in 1952. The proportion of state capitalism increased. In 1952, private and public-private banks and old style Chinese private banks across the country were incorporated into public-private banks under the direct leadership of state banks; in the industrial sector, state capitalism developed quite rapidly; output value of public-private industry made up 5 percent of industrial output value and orders placed by the state for the provision of materials and manufactured products made up 21.9 percent. The proportion of state capitalism in commerce was small and only some agents were developed for such products as cotton yarns, salt, tobacco, and wines. The proportion of state capitalism in the value of retail commodities was only 0.2 percent.

The second stage was between 1953 and 1955. During this period, the principle of overall consideration and all-round arrangement was implemented toward capitalist commerce as a move to carry out socialist transformation systematically.

China began to carry out the First 5-Year Plan in 1953 when the party general line for the transitional period was announced. In carrying out economic construction in a planned way, it was necessary to solve the contradictions between the anarchism in capitalist production and management and the planned development of the state socialist construction. Following the rehabilitation period, the state economy had already gained leadership over the market. And from 1953, major agricultural products were put under state unified purchase and sale while capitalist industry and commerce were becoming more and more dependent on the state economy to create conditions for making overall arrangements and this was systematically transforming capitalist industry and commerce.

With regard to making production arrangements for and transforming private industry, Comrade Chen Yun said: "Under the leadership of the state economy and under the condition of guaranteeing gradual and stable increases of socialist elements, it is necessary to implement the principle of giving overall consideration to, and making all-round arrangements for, state, cooperative, public-private, and private industries. And this principle must be in the interest of all sides. It is necessary to oppose the blindness of capitalism and to overcome spontaneous forces of capitalism. The above-mentioned four categories of industry must be included in

state planning." According to this principle, the departments concerned took measures in 1954 and 1955 to study the supply, production, and sales of the state and private industries according to the nature of their business and they correctly handled the contradictions between state and private sectors, between the advanced and the backward, and among regions in such matters as the distribution of raw materials and arrangement of production tasks by readjustment and arrangement. Production arrangement of private industry was made through placing state orders for the provision of materials and manufactured products. In this way, the problem of shortage of production tasks was resolved with various trades being included in state planning to change them into a preliminary form of state capitalism. The enterprises that had already received orders for providing materials and manufactured products were developed into public-private enterprises with an advanced form of state capitalism under the principle of requirements, possibility, and voluntariness.

The arrangement and transformation of private commerce were carried out by different measures and methods according to different business management forms. Capitalist wholesale commerce was gradually replaced by socialist state commerce so as to put an end to private wholesale business. Efforts were also made to make capitalist wholesale commerce invest in beneficial undertakings. The original staff and workers from these enterprises (including employers) were given jobs in state commerce. Incomplete statistics showed that arrangements were made for 11,813 capitalist wholesale commercial enterprises in various cities in 1954, with their workers and staff totaling 72,295 and a total capital of 143.02 million yuan. The transformation of the main part of capitalist wholesale commerce was completed in the first half of 1955. The transformation of private retail commerce was carried out through arrangement alongside progress, with one trade following another. The agency business of this commerce was expanded and it was included in state planning. This commerce made more rapid progress than state capitalism.

The implementation of the principle of overall consideration and arrangement was in the interest not only of rational arrangement of production and management between state and private enterprises so that they would accord with the needs of planned construction but also of combining arrangement with transformation in a still better way. In the second half of 1955, some industrial and commercial enterprises in Beijing and Shanghai began to combine production arrangement and business management and the transformation of ownership with their own economic reorganization and consequently they created a new form in realizing state-private enterprises according to trades or regions.

The third stage was in 1956. Measures were taken in the year to form state-private enterprises in an overall way and the transformation of capitalist private ownership was basically completed through the method of providing fixed interest.

In 1955, socialist economy was in a predominant position in the national economy while the forces of capitalism were drastically weakened. The



production output value of socialist state industry made up 67.7 percent of gross national industrial output value, state capitalism 29.3 percent (of this figure, state-private enterprises were 16.1 percent and orders placed by the state for supplying materials and manufactured products were 13.2 percent), while the figure for self-production and self-sales by capitalist industry was only 3 percent; state commerce made up 94.8 percent of the total market wholesale volume as against 5.2 percent for private commerce; in volume of retail commodities, state commerce made up 67.6 percent, state capitalist and cooperative commerce 14.6 percent and private commerce 17.8 percent. The second half of 1955 witnessed the upsurge of agricultural cooperatives and therefore it was necessary to make further progress in transforming capitalist industry and commerce. It was against this background that in the winter of 1955 Comrade Chen Yun put forth six proposals with regard to the work of transforming capitalist industry and commerce: Overall arrangement must be made across the country for the production of various trades; reforms must be carried out in various trades; all trades must be turned into state-private enterprises; the method of fixed interest must be introduced; specialized companies must be formed; and overall planning must be worked out while leadership must be strengthened. Consequently, various departments concerned worked out their own plans. Those in the capitalist class worried about their personal gains and losses in further accepting the socialist transformation. But they understood that capitalist enterprises could not but rely on the state economy in matters of raw materials, production, and sales or else no longer exist. It was only natural that these enterprises should accept a further transformation. At the same time, some public-private enterprises that were earlier formed had set examples for them, with arrangement made for their positions, and they could get profit from their private equity. In early 1956, the capitalists in various trades that were yet to be incorporated with the state handed their applications to the government for state-private joint ventures and this was followed by an upsurge of state-private joint ventures of all trades across the country. By the end of 1956, a total of 70,000 capitalist enterprises were turned into state-private enterprises and the total output value of these enterprises made up 99.6 percent of the total output value of the original private enterprises. A total of 1.99 million private shops were turned into state-private shops, cooperative shops, or cooperative groups were directly incorporated into state shops, with their staff making up 85 percent of the total staff of the original private shops.

Following an overall formation of state-private joint ventures by various trades, the state purchased private equity in the form of issuing fixed interest. That is to say, according to the value of private equity that was calculated and defined during the formation of joint ventures, the state issued 5 percent annual fixed interest to capitalists so that the income received by capitalists through exploitation had no relation to profits or losses of enterprises while the enterprises would be able to carry out production and management according to socialist principles. This situation showed that the task of transforming capitalist private ownership was basically completed.

There were some shortcomings and mistakes in carrying out the socialist transformation of capitalist industry and commerce and there were also mistakes in implementation of the policy. But in spite of all these, we made great achievements in transforming the whole of capitalist industry and commerce. Some mistakes were studied in time by party and government departments concerned that put forward methods to solve them and consequently these mistakes were corrected.

From looking at the process of transforming the national capitalist industry and commerce in our country, we can arrive at some beneficial experiences:

First, state capitalism is a transitional form for gradually transforming capitalist private ownership.

State capitalism in China is an economic form for the relations and cooperation between socialist state economy and private capitalist economy. Such state capitalism has a very wide aspect of development, from part of enterprises and trades to all capitalist enterprises and it has created various forms according to the different situations of industrial and commercial trades and to meeting the needs of making use of, restricting and transforming. There is a preliminary form of state capitalism in the relations and cooperation outside enterprises between socialist economy and capitalist economy. For example, there were orders placed by the state for supplying materials and manufactured goods and unified purchase and sales by the state in industry, wholesale agency in wholesale commerce and agency in retail commerce. By these preliminary forms, capitalist activities in the sector of circulation are put under control so as to supervise the process of production and to restrict the exploitation of surplus value and anarchism in production and gradually include capitalist production and management in state planning. The preliminary form of state capitalism is not in a position to change the ownership of enterprises which were then still under the management of capitalists. The profits of these enterprises were still possessed by and at the disposal of capitalists, while the contradictions between employers and employees inside enterprises and the contradictions between the state and capitalists outside enterprises still existed. Therefore under the condition in which socialist forces were constantly growing, it was imperative and possible to develop this form into an advanced one. The advanced form meant state-private joint venture and it represented state capitalism of direct cooperation inside enterprises between socialist economy and capitalist economy. Under this condition, the capitalist ownership of enterprises was changed into public-private ownership and the production and management of enterprises were included in state planning. In particular, following the overall formation of state-private joint ventures and the introduction of the method of fixed interest, all the authority of capitalists was turned into remnants that were regarded only as the foundation for calculating fixed interest and the enterprises themselves were basically socialist. The diversified forms of capitalism in China and its role considerably enriched and developed the theory and practice expounded by Lenin about realizing socialist transformation through state capitalism.

Second, the policy of purchasing was an important guarantee for transforming capitalist industry and commerce peacefully.

The purchasing policy implemented in China includes economic purchase, employment of the employees of capitalists "according to their qualification" and arranging for them to take part in political activities. Economic purchase means to retain part of the profits from the value created by the working class for capitalists who also have their own salaries as payment for the purchase of their means of production. Such economic purchase in the form of paying profit does not have a fixed form. That is to say, this economic purchase may change following gradually deepening of the transformation of capitalist enterprises and capitalists. During the economic rehabilitation period, it was laid down in 1950 in the "Provisional Rules on Private Enterprises" that capitalists may, after paying income tax and making up for their losses from the profits of enterprises and drawing over 10 percent from the reserve fund, get an annual dividend to the amount of less than 8 percent of their capital. If there is a surplus, part of it may be retained for bonus for shareholders and salaries of directors, supervisors, managers, and factory directors. When the planned economic construction period began in 1953, the state redefined that the profits of private enterprises should be distributed among state income tax, enterprise reserve fund, staff welfare fund, and dividend and bonus for enterprise shareholders, and this method was then termed "dividing equally." The dividend and bonus given to capitalists (including salaries for directors, supervisors, managers, and factory directors) in general made up about 25 percent. Following the formation of state-private joint ventures by all trades the form of dividend and bonus was changed to the payment of fixed interest. According to calculations in 1956, the value of private shares across the country totaled 2.4 billion yuan and the fixed interest received by capitalists in the 10 years from 1956 to 1966 was equivalent to half the total shares. And if the dividend and bonus that were given in the period from 1949 to 1955 were included, the capitalists had in fact already recovered their original investments. China spent about 3 billion yuan to gradually take the means of production of capitalist industry and commerce into public ownership.

When measures were being taken to implement the method of economic purchase, the party and government made arrangements for representative figures of the capitalist class to take part in political activities and government work. Following the change of ownership of enterprise, the government followed the principle of being responsible and arranging employment according to qualification and arranged for capitalists to work in enterprises, companies, and specialized bureaus so that they would be able to display their management and technical skills. Those who were too old or weak or who had lost their labor capability and who met the conditions for retirement had proper arrangements made for them by the government on the basis of workers and staff retirement methods. All this was in the interest of capitalists' understanding and of decreasing obstacles to transformation.

The implementation of purchasing policy with rich contents was an important guarantee for us to have been able to complete the peaceful transformation of capitalist industry and commerce.

Third, combining the transformation of enterprises with transformation of men and transforming exploiters into laborers who support themselves by their own labor.

The transformation of capitalist industry and commerce is a revolution to change ownership and this revolution is naturally opposed by capitalists. Therefore, it is necessary in the process of transforming to strengthen the work of uniting with, educating, and transforming capitalists. Like the policy of making use of, restricting, and transforming enterprises, the policy of uniting with, educating, and transforming capitalists is an organic entity. Capitalists must be united with and yet they must also be educated, educating them in unity and the purpose of education being uniting. The final goal of uniting and educating them is to transform them from exploiters to laborers. In addition to uniting with and educating capitalists through the above-mentioned method of purchasing, the party and government also carried out various forms of education among them, including the necessary criticism and struggles so as to restrict the passive aspects and display the active aspects and raise their understanding of socialist transformation and of the prospects of socialism. The method of education includes guiding capitalists to take part in the practice of transforming enterprises, to take part in work or labor, and in the practice of various political and social activities. Another method is aimed at organizing them to take part in various forms of the study of political theory. Through practice and study, capitalists raise their ideological understanding and this situation is in the interest of carrying out enterprises' transformation smoothly and providing conditions for transforming capitalists into laborers. The government work report to the 2d Plenary Session of the 5th NPC in 1979 pointed out: Most of the capitalists with labor capability in our country have been transformed into laborers who support themselves by their own labor; the capitalist class, as a class no longer exists. The victory in massively transforming hundreds of thousands of capitalists into laborers has served to further prove that our party's scientific analyses of the national capitalist class and the policy taken toward this class are correct.

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CAPTION OF ILLUSTRATION ON FRONT COVER

Beijing RED FLAG in Chinese No 10, 16 May 83 p 33

[Text] On 12 March, at the Ming Tombs in Beijing, Comrade Deng Xiaoping joined government functionaries in planting trees in an afforestation base operated by an organ directly under the CPC Central Committee. [Front cover RED FLAG No 10, 1983 shows Deng Xiaoping in the center of a photograph shoveling dirt. He is surrounded by various unidentified people.]

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SCIENTIFIC AND TECHNOLOGICAL WORK MUST BE GEARED TO ECONOMIC CONSTRUCTION

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 34-37, 39

[Article by Zhao Dongwan [6592 2639 1354]]

[Text] At the 12th CPC National Congress it was strongly underlined that the key to achieving modernization in industry, agriculture, and national defense is the modernization of science and technology, and that the latter is one of the strategic focal points of economic development. At the national award giving ceremony for science and technology, Comrade Zhao Ziyang pointed out that work in science and technology must be geared to economic construction. In our thinking, our organization, and our behavior we should thoroughly implement this guiding ideology so that science and technology may contribute greatly to modernized construction in China.

I

This basic guiding principle, that science and technology must be geared to economic construction, reflects the objective demands of modernized construction in China and its corresponding strategic stipulations, namely that within the socialist system, science and technology must serve economic development and social advancement. This requires that our scientific and technological departments and our scientists and technicians should, with an eagerness to meet the needs of the state and the people and on the basis of the party's and the state's interests, contribute what is necessary for promoting technological advancement, improving economic results, and developing the national economy. Our great mass of scientific workers must actively throw themselves into the midst of the great practical application of socialist modernized construction, researching studiously how to solve key scientific and technological problems in order to produce great economic results and social fruits in economic construction and social development.

Science and technology are a productive force. Not only can science and technology provide new products, new techniques, and new methods for material production, they can at the same time constantly develop new areas of production and new production industries so that mankind may improve on nature to previously unseen extents and depths, thereby creating enormous material wealth. The development of the modern atomic power industry, the microelectronics industry, and the macromolecular compound industry, as well

as the extensive applications of biotechnology in industrial and agricultural product, are all the results of creative invention in new technology, based on accumulated scientific knowledge and breakthroughs in scientific research. The development of these newly emerged industries are ample illustration of the great dynamic initiative in mankind's understanding and adaptation of the world. They also illustrate that as soon as science and technology are closely integrated with economic construction, enormous economic results and social fruits are created, representing an important force in the catalyzing of social advancement. The labor production rate is an important yardstick for measuring the speed of economic development and improvements in the labor production rate are to a very great extent determined by scientific and technological advances and the application of science and technology in production. It is especially true in this age of increasing modernization of industrial and agricultural production that continued improvements in the labor production rate cannot depend only on increased investments or increased labor strength but should instead depend mainly on new means and techniques of production furnished by science and technology. Today, economic growth in some economically developed countries depends on the extent of scientific and technological advancement and this dependency has already reached more than 50 percent. After the war, Japan's economy developed very quickly and this was inseparably linked to technological development and successful application of technology. Since the 3d Plenary Session of the 11th CPC Central Committee, production in China's rural areas has developed rapidly as the contract responsibility system has been implemented on a general scale. Now the peasants are no longer content with past production methods and they are demanding that science and technology be used to lead production, and thus enthusiasm to study and apply the sciences has grown to unforeseen proportions. Developing and promoting the application of science and technology in agriculture has meant that traditional agricultural production technology is now being constantly improved while at the same time there is a constant deepening and widening development of agricultural production. China's rural areas will in the future develop a series of new industries and enterprises such as food product processing industries and fodder factories. In addition, the rural areas will be making new demands in the areas of energy, communications, and building construction. All of this will without doubt demand that science and technology play a role. In recent years active use of new technology in many of China's industrial and mining enterprises has meant that production output value and profits have increased severalfold. These facts illustrate that only if science and technology are geared to economic construction and are actually applied in production can they become an extremely effective social productive force.

Gearing science and technology to economic construction reflects the objective laws of coordinated development between science and technology and the economy and society. In addition it is also one of the requirements for the development of science and technology themselves. Engels said: "As soon as science occurs and develops it is determined by production." ("Selected Works of Marx and Engels," Vol 3, p 523) Modern science and technology develop to an even greater extent on the basis of the development of major industrial production. The enormous changes which have

occurred in social production have not only put pressing demands on science and technology, they have also presented science and technology with a pool of research areas and the means to realize these research areas, thus these changes have created social conditions and requirements for the development of science and technology. On the one hand, the level of production directly affects the basis on which development in science and technology depends. Work in science and technology must start out from the present levels of production and the instruments and equipment that are needed must be provided by production sectors, thus only with constant development in production can society possibly amass funds and be able to provide science and technology work with the necessary financial aid. On the other hand, as production develops in every sector of industrial and agricultural production, a great many technological questions need to be answered and many natural phenomena await further explanation and investigation and this should thus greatly encourage the thinking of scientific and technological workers, stimulating constant new achievements in science and technology. As developments in social production bring about changes every day and as people constantly make newer and even greater demands former scientific and technological knowledge no longer comes anywhere near satisfying present demands and this must inevitably stimulate development in every area of science and technology and the emergence of newer science and technology. Thus gearing science and technology to economic construction is not only necessary for developing new technology and developing applicable science, it is also necessary for developing basic sciences. This then opens up vast opportunities for scientific and technological personnel to develop their talents and knowledge and carry out inventive creations.

## II

In order to implement the guiding ideology of gearing scientific and technological work to economic construction, our most pressing immediate task is to carry out some reforms in the areas of science and technology, especially within the system of science and technology.

At present there are many faults in the scientific and technological setup which make gearing the latter to economic construction more difficult. One of the most prominent is the existence of decentralized management, decentralization of personnel, decentralization of research projects, decentralized structure and decentralization of funds throughout all sectors of science and technology mainly due to gaps between departments. This state of overdecentralization and diversification is not in accordance with the demands of modernized science and technology's development nor does it correspond with the principles of the planned socialist economy. Only by changing this situation can the role of science and technology be fully exploited.

In reforming sectors of science and technology there must be all-round consideration, thorough organization and studious research, including into such questions and problems as the structure of science and technology itself, policies, and management. Reforms in the system of science and



technology must correspond to reforms in the economic system. They must be effective in breaking down gaps between different departments, in solving the problem of decentralization, and in strengthening collective unified leadership and guidance. They must respect the developmental laws of science and technology itself and they must improve the efficiency of technological and scientific work and promote scientific and technological development. They must be effective in further mobilizing the enthusiasm and initiative of technical and scientific workers so that they may fully express their potential. They must be effective in ensuring that technological developments and scientific results are quickly transformed and applied in production sectors, thus promoting economic development. In conclusion then, reforms in the scientific and technological system should all be based on the extent to which they are of benefit to the most fundamental of all demands--socialist modernized construction, and thus detailed examinations and research should be carried out, as well as pilot schemes and experimental assessments, so that a complete and totally feasible set of reforms may be constructed.

Some comrades fear that carrying out reforms on the system of science and technology, emphasizing the gearing of scientific and technological work to economic construction, may weaken fundamental research. Such worries are uncalled for. When we speak of gearing science and technology to economic construction, what we are referring to is the question of the relations between science and technology and economic construction, and when we talk about the strengthening or not of fundamental research, what we are referring to are questions of relations within science and technology, and thus there exists no insoluble contradiction between the two. At the Fifth Session of the Fifth NPC, Comrade Zhao Ziyang said: "While we emphasize the expansion of practical and developmental research we must strengthen fundamental research." This is the accurate conclusion to the question of how to correctly handle the question of relations within science and technology, based on China's present, actual situation, on assessments of past experiences in scientific and technological development, especially recent new experiences, and on all-round considerations of the short-term future demands of economic construction on science and technology. For a long time now, China has had the capacity to tackle the development of the most advanced and frontier areas of science and technology but has been backward in the wide and large-scale production technology necessary. In order to change this situation it is extremely important that we emphasize the development of practical and developmental research. At the same time we should take note that carrying out fundamental research, especially fundamental research with practical possibilities, is extremely important in strengthening China's scientific know-how and in improving standards of science and technology. Of course, as far as fundamental research is concerned, there are still some areas that cannot as yet be applied in production, and thus we should rationally organize these kinds of exploratory topics within the permitted limits of our ability. We should coordinate applied research, developmental research, and fundamental research so that economic development becomes integrally linked to scientific and technological development.

### III

The following few paths should be taken for successfully gearing science and technology to economic development now and for a fairly long time to come.

1. We should gradually establish a characteristically Chinese technological system based on China's present actual situation by carrying out domestic research and by importing technology from abroad, gradually popularizing on a very basic level advanced production technology which suits our needs and which has already come into general use in economically developed countries during either the 1970's or the early 1980's. In this way China's industrial and agricultural production will gradually be transformed onto a new technological basis, cutting consumption of raw materials and energy, improving production quality and processing potential, and thus producing great economic results.

2. Some new, technologically concentrated industries should be established by means of technological development in some new areas, such as biotechnological industries, information technology industries, industries using new structural materials, computer software industries and fodder industries.

3. Early research work for major construction projects and major technological research development work during construction should be well organized so that new enterprises are able to make full use of advanced technology. For example, major water conservation projects, the construction of nuclear power stations and large-scale mines all involve a great many scientific and technological questions, and when these questions have been properly solved we can be sure that major construction projects can be founded on advanced technological bases.

4. We must fully get to grips with "the four applications transferals" so that there is application from the laboratory to the enterprise, transferal from purely military use to both military and civilian use, transferal from coastal regions to inland regions, and transferal from abroad to China. As to what technology should be transferred, from or by whom and how etc., we should draw up regulations and organize their enforcement in a guided and step-by-step way.

5. At the same time as strengthening applied and developmental research we must thoroughly organize some fundamental research projects which have applied potential, thereby providing China's long-term economic development with the necessary store of scientific and technological know-how.

In order to gradually achieve these few tasks we must today get to grips fully with three key issues.

First of all, we must organize well key problems in science and technology. These key issues in science and technology are effective and important ways of concentrating the best of our strength to solve key scientific and technological problems. During the 1950's and 1960's China's scientific and technological forces were, comparatively speaking, still rather backward and

the economic foundations of the time were not very solid, and thus scientific and technological forces were organized together and fought in coordination, achieving outstanding successes in the major tasks that confronted China at that time (such as large-scale forging water presses, large-scale extrusion presses and so on, in total nine large-scale pieces of equipment or newly designed defense, military and industrial materials). Today, the scientific and technological tasks facing us are far more complex than those and thus there is even greater need to focus our strength and tackle these key issues. Key projects should be carried out in stages. On the basis of the scientific and technological topics thrown up by economic development, the state, departments, regions and even enterprises should adopt measures of "trilateral integration" of cadres, workers and intellectuals and the "trilateral integration" of education, research and production in organizing their forces to carry out these key issues. This should be done level after level, with one batch being carried out when one batch is completed so that within a certain amount of time the necessary manpower, material power and financial power has been gathered together to complete several vital undertakings. In organizing these key scientific and technological issues it is important that topics are selected well. Topics and issues which are related to major construction programs or new areas of science and technology should all be included in planning and organized with preferential treatment. The ultimate goal of these key issues is to create productive forces. We should pay particular attention to ensuring that the results of these key issues are speedily transformed into production, promoting further development and exploiting their potential, thus increasing economic results for the country.

Second, we should organize technological and scientific personnel to make active contributions toward the technological transformation of enterprises. We must make sure that production is shifted onto a new and more advanced basis and the most important thing to do is to get to grips with technological transformations in existing enterprises. An important task for today's scientific and technological personnel is helping enterprises carry out technological transformation. Technological transformation in enterprises should be carried out in a planned and step-by-step way. Scientific and technological departments should help relevant departments by evaluating the standards of present technological transformation in existing enterprises, and helping to pinpoint the aims and standards of technological transformation in important enterprises and businesses. At the same time we must organize scientific and technological forces together to help backbone enterprises carry out technological transformations, primarily popularizing production technology already in general use in advanced countries in these backbone enterprises.

Third, we must get fully to grips with applying the results of scientific and technological work. This is an important and most significant link in the way science and technology promotes economic development. The large number of important scientific results that we have amassed are a valuable treasure, if they could be speedily transferred or adapted into application then they would produce great economic results and social fruits. In recent years the Chinese Academy of Sciences has approved a total of more

than 400 major invention programs which have produced more than 10,000 important scientific and technological results. An example might be the technology which has enabled the moving northward of rubber planting areas which has thus smashed the world accepted rule that rubber trees can only be planted in areas within 15 degrees latitude north or south of the equator. In China we have had great success in large-scale planting of rubber trees in areas which fall between 18 and 24 degrees north of the equator. Today, the planting area is now over 6.4 million mu, making it fourth largest in the world. Annual output of dry rubber is now 120,000 tons, making China the sixth biggest producer of rubber in the world. Another example is the hybridization of maize, and today in China there are 36 different varieties growing in large areas throughout 24 provinces, towns and autonomous regions. Every year maize takes up over 50 million mu of land while production increases have reached between 20 and 35 percent and every year potential production output increases in maize stand at several billion jin. The comprehensive use of Jinchuan's natural resources through the application in production of the results of eight scientific and technological research items which were successfully tested meant that nickel output increased by more than 50 percent without increasing the amount of selection and smelting equipment. Thus profits handed over to the state by the enterprise doubled. All of these examples illustrate that the application of the results of scientific and technological research play an important role in economic development. We should assess and sort out all existing scientific and technological results and concrete plans should be drawn up to specify what should be propagated and implemented, and how.

#### IV

The most fundamental thing to be done in accurately gearing science and technology to economic development and construction is good organization and utilization of existing scientific and technological personnel, allowing them to give full expression to their roles.

At present in China there is overall a large shortage of scientific and technological personnel but at the same time there is also a great deal of idleness due to poor organization and thus a great deal of wastage. How to mobilize the enthusiasm, creativity and positive initiative of all scientific and technological personnel in China and make the best use of them, is a major question that needs answering.

In 1982 there were more than 6 million natural scientists and technologists in China. An army of scientists and technologists of this size is not sufficient for a country as large as China with the demands of economic and social development that it has. However, in comparison with the 1950's, the figures have already increased severalfold and in comparison to 1965 the figures have doubled and thus we do have a very definite strength. Naturally, as far as the distribution of scientific and technological forces is concerned, the situation is very unbalanced, with scientific and technological personnel in the first line of industrial and agricultural production still very weak. There is also a very irrational distribution of scientific and technological personnel between different sectors while

there are also some irrational things to be found within the internal make-up of scientific and technological forces.

Looking at the tasks of scientific and technological work and comparing today with the 1950's and the 1960's there are enormous differences both in depth and width. Constant improvements in production technology have meant that the renewal and replacement period for commodities is becoming shorter and shorter. As for the renewal and replacement period for foreign products, in most cases it was around 10 years during the 1950's. By the 1960's it had already shrunk to 8 years and today some products are replaced by new ones within as little as 4 to 5 years. This thus demands that scientific and technological work must speed up its pace of research and development, constantly providing production development with the fruits of advanced technology. At the same time, only in very few cases do present breakthroughs in areas of science and technology depend solely on research in one area of science or technology. Most breakthroughs now require coordinated work between many branches of science and technology. As the national economy quickly develops, all businesses and industries have been putting greater and higher demands on science and technology, requiring more and more key areas of research of greater and greater complexity. All of this thus demands that we strengthen the construction and organizational management of the ranks of scientific and technological workers.

In order that some scientific and technological workers may exploit their potential to an even greater extent, we should make more concentrated utilization of them, based on the requirements of each task and under the guiding ideology of gearing science and technology to economic construction. We should collectively organize the scientific and technological forces of all sectors together by drawing up long-term plans, outlining technological policies, organizing scientific and technological key issues, participating in the preliminary work of major construction projects, setting up technological development centers in various areas of industry and business, and carrying out concrete tasks involving technological transformations in enterprise and business. We must pay particular attention to drawing off a certain proportion of scientists and technologists from those departments and units with relatively strong scientific and technological forces, so that they may take part in and help important state projects. At the same time we can to certain extents carry out unified job recruitment on the basis of state and regional requirements. We must adopt suitable measures to encourage scientific and technological personnel to go and work in rural and distant regions. In conclusion we must adopt effective measures and many different ways of quickly gathering a scientific and technological force which can involve itself in economic construction, thereby guaranteeing the completion and victory of the task of economic construction.

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## FURTHER DEVELOP THE FAVORABLE RURAL SITUATION

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 38-39

[Article by Jing Ping [2529 1627]]

[Text] Today the rural situation in China is very good. There has been sustained growth in all areas of agricultural production and rural economies are becoming more lively by the day, supplying the country with more and more agricultural by-products and industrial raw materials. There have been marked improvements in rural life and the peasants are very contented. Practice proves that the rural policies which have been implemented since the 3d Plenary Session of the 11th CPC Central Committee are correct. The changes and development in Chinese villages in recent years are very encouraging.

We must cherish and develop this favorable situation which has emerged in agriculture. We should on no account feel self-satisfied and revel in the achievements we have already made. The more favorable the situation is, the more alert and clear-headed we should remain, keeping wide our field of vision, searching for areas still wanting and problems that still exist. We should look at both the long-term future of rural development and also tasks which face us today. The more favorable the situation is, the more we should be inspired with enthusiasm to thoroughly carry out our work in every quarter, struggling to continue to open up a new situation in rural socialist construction.

The 12th National CPC Congress proposed that we should, based on output value in 1980, work toward quadrupling industrial and agricultural output value by the end of the century. The congress also specified that agriculture represents one of the strategic focal points in achieving this glorious target. This puts very high demands on the agricultural front. First, one of the most difficult things to solve is the problem of how to feed 1 billion people. China has a large population and a small land area for cultivation and thus solving the problem of feeding the population is the most important task. Grain foods represent the staple food for the Chinese people and are also the raw materials for the food product and fodder industries. By the end of the century we want to be sure that grain has fundamentally reached the targets demanded of it, namely, the production of 960 billion jin of grain, assuming that in a population of 1.2

billion, each person consumes around 800 jin of grain. This is an enormous and arduous task and requires a long period of constant, unrelinquished hard work to be achieved. Thus we can at no time loosen our grip on grain production. However, if we only concentrate on grain and think of nothing else, then we will not be able to tackle grain production, and thus fully develop diversified management and administration. In order for the peasants' lives to reach a level of comparative comfort we cannot rely solely on grain, and thus we must fully develop other agricultural areas such as fishing, forestry, animal husbandry, and so on, as well as the composite management of industry, agriculture, and commerce. Only if we take the road of composite development can we ensure that the rural surplus labor force and our bountiful natural resources are rationally used to produce increasing material wealth and to fulfill the demands of industrial development and the urban population. Only then can we set up a rational production structure, improve economic results, and ensure that the rural population becomes increasingly wealthy.

China's agriculture is still a weak link in the chain of the national economy, with backward technology and equipment in the area and with relatively low labor production and commodity rates, as well as weaknesses in our ability to combat natural disasters, so that to a very great extent we have to rely on nature and the weather in order to eat. Added to this is the fact that culture, education, science, and technology are still backward, there are still many illiterate peasants, and the specialized knowledge and administrative standards of cadres are low; thus these all add up to disadvantages in the realization of our glorious target. We must start from a realistic basis and implement technological reforms in agriculture in a planned and step-by-step way, improving agricultural production conditions, and promoting and developing the teaching of science, technology, and culture in the rural areas. In this way agriculture in China will gain a well-developed material foundation. This is by no means an easy task.

An important part of our present work in the rural areas today is the stabilization and perfection of the agricultural responsibility system. We should not be misled into thinking that with the responsibility system, everything will simply work out fine. The system still needs improvement, development, and perfection. We must stabilize and perfect the contract responsibility system with payment linked to output. This includes correctly handling the relations of unity and division and specialization and integration, based on the principle of suiting measures to local conditions. We must correctly handle the relations between state, collective, and individual interests as well as the relations between working for wealth, unity, and mutual aid and common prosperity. We must ensure that every kind of responsibility system expresses even more vitality so that in the process of the system's development and perfection we can move along a road of socialist agricultural cooperation of a characteristically Chinese nature. At the same time we should take note of the fact that there are still some negative aspects in the rural areas and thus effective measures should be adopted to prevent reckless cultivation of land and reckless denudation of forests so that an ecological balance may be maintained. We

must preserve social stability and carry out successful family planning, stepping up political and ideological work so that the political and economic situation in the rural areas develops all round and gets better and better.

In conclusion, although we have taken an admirable first step in establishing a socialist agricultural system in China of a characteristically Chinese nature, in overall terms we are still probing and exploring. To use the analogy of writing an article, we may say that there are still many areas and things in rural life which as themes in an article have still not been broached, while there are others which have been broached but not fully expanded and completed. For example, how to guide 800 million peasants along a characteristically Chinese road of socialism toward constant advancement; how to pave roads of high commodity production in conditions in which the population is high and the total area of land for cultivation is low; how to pave production roads for the large surplus labor force; how to raise enormous funds in order to gradually achieve technological transformations in the rural areas and improve production conditions; and how to establish even better socialist relations between the rural and urban areas. All of these questions and problems are now in the process of being examined and explored through practice. These strategic questions permeate through to principles and policies in many different areas, as do a great many questions and problems related to science and technology. Each one requires painstaking work on our part, thorough investigation and research so that gradually, through practical application, we may increase our understanding of each question, clarifying its laws, making very sure that we avoid being superficially clever in our solutions, and striving to cut down repetition and mistakes so that each question may be solved correctly and appropriately.

In China, four-fifths of the population live in the countryside and thus the development of rural construction is of extreme strategic significance in terms of our overall modernized construction program. The glorious yet formidable mission that has been bestowed on us by history is the achievement of constant improvements in the material lives of the peasants, constant improvements in the political consciousness and levels of cultural and scientific knowledge of the peasants, and the construction of a new, civilized, and prosperous countryside. The burden is heavy and the road is long and we must struggle unceasingly.

CSO: 4004/35



## SIX TACTICS IN MAKING USE OF PERSONNEL

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 40-42

[Article by Gan Feng [2413 1496]]

[Text] The utilization of personnel constitutes a great body of knowledge, and has a lot of bearing on the success or failure of a cause. I have selected six important points for study concerning this topic, which I have called "six tactics in making use of personnel."

1. Know people and be good at placing them in employment positions, so that each has his role to play.

First, we must know people; only by understanding people's abilities can we be good at placing them in employment.

Knowing people means essentially knowing the state of their political integrity, knowledge, ability, education, and strong points and shortcomings, and looking at them from the point of view of their future development.

Being good at placing people in employment means, on the basis of knowing them, to make rational use of their abilities, and to bring their advantages into full play. The essence of being good at employing people lies in cultivating their strong points and avoiding their shortcomings. As far as any one person is concerned, if you cultivate his strong points he is a person of ability, but if you use his weak points he is mediocre. In fighting, the ability to wield each of the 18 kinds of weapons has its uses. In a chess game, each piece has its strong points. If you do not bring out strong points and avoid weaknesses, you cannot even begin to talk about making use of personnel. At present, special attention must be given to putting in the forefront of the reform those people whose minds are emancipated, who are full of the spirit of pushing forward the revolution, full of the spirit of creation, innovation, and dedication, and who have the courage and the ability to carry out reform.

If we are to make use of personnel, we must have confidence in them. This does not mean blind faith, but confidence based on one's knowledge of them, a knowledge furthered in the course of employing them. We must not simply

believe a complaint about someone's abilities as soon as we read it, and special care must be taken to protect those who stand at the forefront of reform and innovation. Naturally, the key to confidence lies in observation and study, in watching people as they develop; and the criteria for such observation and study are political integrity and ability, with political integrity as primary. As for young cadres, knowledge and specialization constitute the criteria, with revolutionariness as a prerequisite.

Only by knowing people and being good at employing them can we ensure that each has his role to play. This is the basis of making use of personnel, and the best way of taking care of them.

## 2. The necessary conditions for organizing good groups.

If we are to complete a task and do our work properly, it is not enough to rely purely on the ability of each individual; we must also organize good groups. This is a question of the group structure of personnel. Individual abilities can only be made full use of within a rational group structure.

Any department or unit must have a capable leading group, that is, a leading group which is revolutionary, young, educated, and professional. In a leading group, one plus two does not simply equal three; it may equal five, or two, or even zero. Organizing a good leading group is not only a necessity for the division of labor and the collective study and resolution of important problems; it is also a question of achieving the maximum effectiveness of the whole leading group and of each member supplementing each other in terms of political integrity, knowledge, ability, and education. There is no such thing as a superhuman, and no talent is complete. A leading group is only a good one if it can exercise effective overall leadership and if its members can supplement each other's weak points. Groups whose members are mutually exclusive and waste time must definitely be reorganized.

The formation of leading groups must be decided on the basis of the needs of the task at hand. Whether we are launching a construction project or tackling a scientific problem, we must organize a rational leading group suited to the task. It must include efficient administrators, scientific research personnel, engineering technicians, technical workers, laboratory technicians, enthusiastic, capable rear-service personnel, and so on. This is a three-dimensional personnel structure, and will not work well without an arm or a leg.

The proper organization of a leading group further requires that the necessary work and study conditions are created for its members, so as to give them a stage on which to exercise their talents, and to enable them to constantly improve their standards. In a game of go, the dragon must have two eyes before it can come to life. In grasping work, we must both organize a good leading group and create the necessary work and study conditions; with these two "eyes," the work will unfold with all the vitality of dragons and tigers.

3. Arrangements must be made, inspections carried out, and conclusions drawn.

When employing personnel, a clear work task must be defined, and a definite target schedule decided upon. This is called "loading up the carrying pole." Loading up the carrying pole is extremely important in the use and cultivation of personnel, giving them actual working practice, and giving them the courage and ability to create a new situation. It is one of the arts of using personnel. That is to say, in leading, we must be good at commanding the battle. The task, the intention, and the policy must all be clearly defined, and leaders cannot run the whole show, but must give the comrades below them a broad arena in which they can make full use of their subjective abilities in combination with the real situation.

Inspections must be carried out. If we arrange work but do not inspect its progress, it will be impossible not only to observe personnel and promote their further advance, but also to promptly discover problems, and improve and reorganize work deployment. Also involved here is the question of reorganizing personnel according to the needs of the task, by promoting those who are outstanding, and demoting those who are inferior.

Conclusions must be drawn, first, to raise the overall standard of work, and second, to raise the standard of personnel. Work always has two sides to it, achievements and shortcomings, positive experience and negative lessons, and both sides must be summed up. Drawing conclusions is one of the best methods of linking theory with practice, and one of the best ways of raising the standard of working personnel. Only if we are good at summing up, can we "climb one story higher"; if we fail to draw conclusions, or do so badly, we will just stay on the same level, like "donkeys pushing a grindstone." We must overcome a malpractice that is easy to fall into when summing up--formalism.

4. There must be praise, criticism, and clear rewards and punishments.

This is an important principle and policy in the use of personnel. If "it is the same whether you work or not, or no matter how well you work," how can we begin to talk about using personnel?

Praise and criticism are by no means easy things. When we praise a person, we must raise new and higher demands, so as to encourage him to progress, and avoid his becoming arrogant and complacent, and regressing. When we criticize someone, we must inspire him, as he recognizes his mistakes, to correct them, and invest him with the courage and confidence to work hard, rather than making him resentful or despondent, or even making him regress. This requires us to do a lot of meticulous work; it is not something which can bring instant results; and no subjectiveness or bias can be allowed. Done badly, it often produces results contrary to those desired.

Someone who has made a mistake must be criticized, but distinctions must be made according to the nature of the mistake, and the subjective causes analyzed; we must not consider that any mistake is terrible, and abandon

the person. We must give the person who has committed a mistake the chance to correct it. It is difficult to avoid making mistakes in one's work, and there is no problem as long as one corrects them. Failure is the mother of success. To mature, a person must not only learn from achievements, but must also be good at drawing lessons from failures. Intelligent people do not use others' failures to boost their own egos, but instead draw lessons from these failures. Those who do more work often make more mistakes. People standing about all day doing nothing but picking holes in others' work is not a good phenomenon. If you do nothing yourself, you have no right to speak. Doing nothing is in itself a mistake.

Rewards and punishments must be clear. Those who make outstanding achievements must be rewarded, and those who are guilty of malfeasance must be punished. We must differentiate between faults in work, on the one hand, and malfeasance, dereliction of duty, and unlawful conduct, on the other. Those who commit unlawful conduct must be severely disciplined, with no leniency given.

5. Encourage competition and oppose jealousy and favoritism.

In making use of personnel, we often run up against a knotty problem--jealousy.

Jealousy is the great enemy of the maturing process of personnel, the force hindering the development of a cause, and a very bad thing. In Beijing, they use the word "wicked"; I think jealousy is "wicked." If someone has a talent, you do not recognize it; why can you not join in the competition of talents, rather than stand by "sniping" at people? Some people always compare their own strength with others' weaknesses, and use others' shortcomings to negate their strong points. This is one manifestation of jealousy. Why can you not develop your strong points and make your own contributions, and at the same time compare others' strengths with your own weaknesses, learning from their strong points to inspire you to further progress? Would it not be good if we could replace jealousy with competition, and let a hundred flowers contend in beauty!

Furthermore, as to such individualist, factionalist, scholar-tyrant style things as forming factions, sectarianism, monopolizing materials, and suppressing newborn strength, they must all be opposed. We must resolutely criticize these things.

6. We must be close to openhearted, straightforward people, and avoid flatterers and yes-men.

This is an important lesson of experience learned over thousands of years of employing personnel. It is really not an easy thing to do. It is closely connected to a leader's political level and his ideological training. As a leader, you must be broadminded and listen modestly to others' opinions. You must be happy to have your errors pointed out, and be able to unite comrades with all sorts of shortcomings and mistakes and of all different characters. In your complaints about mistakes, you must both

uphold principle and be patiently persuasive. Those who have nothing but praise for a leader, and tell tales in front of him, are most certainly not good cadres. If we do not see this point clearly, we will certainly be deceived. In employing personnel, we must promote only those of high moral quality and ability; personal likes and dislikes must never be used as criteria. We often talk about speculation and profiteering in the economic sphere; but there is in fact also a sort of person who loves to engage in political "speculation and profiteering" in front of his leaders. This is totally unrelated to the practice of relying on the organization, resolutely carrying out the leadership's intentions in work, and reporting the objective situation faithfully; and the two cannot possibly be mixed up. We absolutely must not be deceived by these people who are only good at "climbing telegraph poles."

We must be fair about people and honest in our treatment of them; we must deal rationally with all contradictions among the people according to party principles, and achieve high unity from top to bottom and within each level, thereby forming proper comradesly relations. We must on no account fall into highly abnormal disputes over who is whose man. If we do so, we can only form our own separate systems, employ people according to personal preference, and create even less unity in our department or unit; we will be divorced from the masses, and cause great losses to our work.

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## NOTES ON A TRIP TO HAINAN ISLAND

Beijing RED FLAG in Chinese No 10, 16 May 83 pp 43-46

["Newsletter" by Wang Lanxi [3769 7061 6007] and Li Tong [2621 1749]]

[Text] We arrived in Hainan early this year and, starting out from Haikou, did a round trip of the island, by way of the eastern road. Hainan's tropical scenery is gentle and bewitching. Coconut palms swaying gently in the breeze, villages hidden among the betel palms, sails on the ocean amid the sunset glow.... All of these things will stay in the mind for a long time to come. But even more inspiring and memorable are the gratifying changes which, under the guidance of the line of the 3d Plenary Session of the 11th CPC Central Committee, are now taking place on Hainan Island.

### 1. Great Changes in Villages Which Used To Flee From Famine

Hele commune in Wanning County lies near the sea, with the hills at its back. During the extreme hardships and difficulties of the war years, the towering Liulianling Mountains nurtured many worthy sons and daughters of our nation. We made a special trip to the foot of the Liulianling Mountains, and visited the Liulianling monument to the revolutionary martyrs, to express to the martyrs our grief for and remembrance of them. Within the commune lies Lequn, a large village of over 5,000 people. While the "gang of four" was running rampant, the area was severely afflicted by the policy of "cutting off capitalist tails." The masses were forbidden to go fishing. Whoever went to sea was accused of "stressing fishing at the expense of agriculture," "caring about money instead of grain," and sabotaging the policy "in agriculture, learn from Dazhai." Consequently, the fishing nets were hung up, and the boats were dragged onto the beach. The masses were rounded up and sent to a distant, barren hillside over 10 li from their homes, to reclaim land and cultivate fields. Working from dawn till dusk, they became utterly exhausted. Due to the lack of water, they reaped hardly anything from the crops they had sown. In the winter of 1975, with tears in their eyes, the people of the whole village, over 230 of them, fled from the famine of Lequn village, and went to Dalu commune in Qionghai County.

The spring breeze of the third plenary session brought a new lease on life to Lequn village! The whole village was divided into four production brigades. Beginning in 1980, the production responsibility system was

implemented, with work contracted out to households. This is a small village with a large population, and the labor force not engaged in the production of grain voluntarily organized themselves; building boats and weaving nets, they went fishing in the sea. After the downfall of the "gang of four," the village was left with only about 40 boats; now the number has grown to 434. Each day over 600 people go fishing. Not once in the history of the state had this village managed to fulfill state purchasing quotas; in 1982, the quota was fulfilled! Not only has grain production risen; considerable income has been generated from household sideline industries and fishing. According to statistics, the average per-household income in 1982 was over 2,000 yuan. The people of Lequn village have waved goodbye to poverty! As we entered the village, newly erected concrete buildings gleamed before our eyes. The pattering of walking tractors welcomed us, as they drove past us carrying bricks and gravel. We also saw many other people running about busily gathering materials for the construction of more concrete buildings.

We walked up to one building which had just been built and was now being decorated. The busy owner stopped what he was doing and told us, smiling, that he had a family of 6, 3 of whom were laborers, and that their collective income from farming, fishing, pig breeding, and sideline industries was about 7,000 yuan. We had a look at his new house; it was about 110 square meters, with a main room and four others. Smiling, we asked him: "How much did it cost you to build this?" He gestured, and said: "7,000 yuan. If you include the kitchen, nearly 10,000."

We also visited Lin Zhiyou's family. In 1975 they had all fled the famine, and returned only after the smashing of the "gang of four." He had a family of 15, 10 of them laborers. With the implementation of the household contracting system, it was found that three of them could cope with the farm work, while the surplus laborers could go fishing. They built 2 boats themselves, and with 4 nets, the whole family's income last year was more than 10,000 yuan. When we entered Lin Zhiyou's courtyard the owners were fishing; guarding the house was an old duck, and when it saw strangers, it began to quack loudly. In the main room we saw a new bicycle and sewing machine; smiling, we asked the people who had gathered around: "They don't lock the door; aren't they afraid of being robbed?" The people said: "Public order here is much better now."

## 2. Poor Communes Take Off

In all counties of Hainan, from the outer plains to the central mountain region, from the Han regions to the autonomous minority regions, a high wave of suiting measures to local conditions and developing production is unfolding. The implementation of the production responsibility system with contracting on a household basis has brought the initiative of the commune members to an all-time high. The path of getting rich through labor becomes broader with each step. Dongge commune in Wenchang County by the sea was once famous for its poverty; most of its land was sandy, and water was scarce. For a long time it suffered natural disasters and low production, lacking money and grain, and until 1978, just before the 3d Plenary Session

of the 11th CPC Central Committee, the per-capita income distributed by the collective was only 48 yuan per annum. The whole commune had to be provided with over 200,000 jin of resold grain every year. With the implementation of the production responsibility system with contracting to households, the commune members were able to base themselves on the natural resources of their land and the advantages of their seaside location; they organized themselves and gathered funds voluntarily, some engaging in processing coconut thread, some setting up shrimp farms in the shallow sea, some making lime from coral, some building boats, weaving nets, and fishing, some planting trees and sugarcane....all the households vied with each other, each seeking the road to prosperity. In 1982, the total income from this commune's diversified undertakings reached over 1.42 million yuan, 31 percent of the commune's total income. The per-capita income distributed to the commune members rose from 48 yuan in 1978 to 250 yuan.

Situated near the mountains, Luoji commune in Dan County encouraged its members to undertake the planting of sugarcane and rubber, to exploit the advantages of their situation. Zhu Qiong is secretary of the party branch of the betel palm production brigade. His family has 4 laborers; they have contracted to plant 600 rubber trees, 7.5 mu of sugarcane, and 9.5 mu of paddy. In 1982 the sugarcane they had contracted for produced 42 tons, bringing in an income of 2,500 yuan; they produced 11,000 jin of rice, creating 1,600 yuan of income, and cut down 420 of the 600 rubber trees they had undertaken to grow, with an income of 5,000 yuan. All of this, added to further income produced from pig breeding and sideline occupations, brought a total income of over 10,000 yuan for the family. But an income of the size of Zhu Qiong's only ranks fourth among the 9 households earning 10,000 yuan in the betel palm production brigade!

On our trip around Hainan Island, we passed through more than 10 counties and towns, including Qiongzhan, Wenchang, Wanning, Yaxian, Changjiang, and Danxian. We were gratified to see that a relatively rational structure is forming in agriculture. On the plains, tree farms conduct afforestation, farms plant rubber, and small patches of grass are used for grazing cows and sheep. In the hills and valleys where the rubber plantations are, fields are also intermingled, and tree farms dispersed among them, while rubber farms also plant tropical crops and trees. In the central mountain regions, while forestry is the mainstay, rubber is also planted in selected areas, which combine with the forest areas, while hillsides are used to graze cows and sheep. Over the entire island a wave of suiting measures to local conditions, with one occupation as the mainstay and diversified management, and overall development, is forming, and forming well; and development is swift. In 1982, Hainan region's total grain output reached 2,676,000,000 jin, an increase of 20.7 percent over 1978, before the third plenary session. Oil products, cane sugar, rubber, pineapples, coconuts, peppers, cashew nuts, and tea have all broken previous production records. Last year, income distributed over the whole region reached 258 yuan per capita from its previous level of 60-70 yuan. In all these figures we can hear the sound of the peasants' footsteps as they march forward.



### 3. Vigorous Development of Specialized Households

From our wide range of contacts in various places in Hainan, we realized that the specialized and key households which have arisen in response to the times fall into two categories. The first category involves specialized and key households who sign individual management contracts with the collective. The management tasks undertaken by these households involve crop planting, animal and poultry rearing, processing, handicrafts, fishery, and so on, over 20 types overall. Having signed a contract with the collective, these households have autonomy in production; they are able to exploit the advantages of small-scale management, and can overcome the malpractices of overcentralized administration, and of "mass action" and egalitarianism in labor. The family economic management practiced by these specialized households is an administrative layer of the cooperative economy, and a new form of household economy. It is completely different from the previous individual economy based on small private ownership. With the socialization of the means of production as their base, these households can combine their own technical skills with the advantages of their natural environment, and thereby achieve rapid development in production. This not only provides material wealth for society; the individual contractor himself rapidly becomes prosperous. Yang Qingmin is a member of the south No 2 production team of the Luobao production brigade, Penglai commune, Wenchang County. His family totals four, two of whom are laborers. On the hillside he had contracted for, he suited measures to local conditions, and planted 14 mu of pineapples, which brought in an income of over 11,000 yuan in 1982. With the additional income from other sideline occupations, the family's total income that year amounted to over 12,900 yuan, bringing them fame as the county's rich household.

The second category consists of those specialized and key households which have evolved from engaging in certain sideline occupations to being responsible for a specific production task. The form of economic management adopted by these specialized and key households is one which has broken through the fetters of the previous tradition of household sideline occupations and backward production forms. Some family members have separated themselves from agriculture, and changed what were previously sideline occupations into their main occupations; further, they have evolved from small-scale subsistence production to commodity production which supplies goods to society. Hong Shimin is a member of the Huqiu production team of Nanlian production brigade, Baiyan commune, Wenchang County. His family consists of seven members, five of them laborers. The 7.5 mu plot of land for which his family is responsible usually needs only 1 or 2 people to farm it. His son is a middle school graduate with a great interest in and knowledge of chicken breeding. The family therefore signed a contract with the commune's food products station to develop chicken breeding. In 1982 the family raised 500 chickens, and after 4 months the first batch of 95 were sold to the state, bringing in an income of 160 yuan. Because of their attention to scientific rearing, they achieved a 90 percent survival rate. After 5 months the whole lot were sold to the food products station, and after deducting expenses for vaccines, feed, and medicine, net income amounted to 500 yuan. Having raised the chickens, they then used the

chicken droppings to grow 1 mu of fruit and sugarcane and over 100 pepper plants. Last, they economized on chicken feed and used the surplus to raise 16 pigs. In 1982, they became one of the 10,000-yuan households who had become rich through labor.

The emergence of large numbers of key and specialized households, and the daily development of commodity production in the villages, has made many peasant households come to feel their lack of labor power; consequently, a spontaneous demand has arisen among the masses for the organization of economic combines. Wherever we went in Hainan we saw many commune members engaging in different forms of combination and cooperation, on the principle of benefiting production and mutual benefit. The forms of these combinations were many and varied; voluntary cooperation between individuals, between an individual and the cooperative, between cooperatives, and between cooperatives and state-run units; they involved labor, investment, technology, and the means of production. In April 1982, the state-run Zhou tree farm made an agreement with the Xifang production team of the Xinzhou commune's tree farm production brigade to jointly run a 300-mu fish pond. The tree farm invested 16,000 yuan, while the production team provided the fish pond and the labor force, with net profits split 30-70. In April, 120,000 fry were put into the pond, and in October, 80,000 fish were caught. This type of economic combination gives life to the funds of state-run enterprises, and brings into full play the natural resources of the production team. The state-run enterprise, the collective, and the individual all benefit.

These new economic combines have not been in existence for long, but they have begun to make effective use of the advantages of abundant agricultural labor, and have opened up a new road to solving the problem of surplus labor in the countryside. Longtang commune lies in the Yangshan area of Qiongzhan County. On the average, each person has less than 1 mu of land, and consequently about 60 percent of the labor force is surplus. In the past, when one-sided stress was laid on "the labor force going back to the fields," the surplus labor force was redundant, and the rural economy stagnated. Now, surplus laborers are suiting measures to local conditions and engaging in all sorts of handicrafts like ceramics, carpentry, building, and tailoring. The labor invested in these occupations now makes up 42 percent of total labor investment, and in 1982 brought in a total income of over 4 million yuan. The peasants are happy: "Now they are able to have the scope to display their talents, and those on the road to prosperity need have no fear of trouble from the rear."

Comrades from Hainan told us that in 1982 the whole island had a total of 41,900 key and specialized households, and about 16,260 economic combines. The emergence of such large numbers of key and specialized households and economic combines has brought new life to the face of rural commodity production. Those among the broad masses of peasants who possess experience, understand techniques, and have management ability, have made use of these strong points to create great material wealth. This in turn has spurred on the thousands of households and families to get rich through labor, transformed the long history of monotypic production and management, and

promoted the development in the countryside from self-sufficient and semi-self-sufficient production to commodity production.

#### 4. The Welcoming Smile of Wuzhishan Mountain

Hainan's Limiao Autonomous Prefecture borders on the Wuzhishan Mountain region and the South China Sea. With an area of 17,900 square kilometers, it occupies over half of Hainan Island. On this abundant and beautiful land live over 700,000 brave, industrious people of the Li and Miao minorities. Due to historical reasons, development here has always been slow, and the region has basically remained in a state of self-sufficiency and semi-self-sufficiency. This, added to all sorts of "left" mistakes in the guidance of agricultural production, like stressing "big and communal" and "everyone eating from the same big pot," has constricted the commune members' initiative in production and limited the use of labor and natural resources, such that the lives of our Li and Miao compatriots have failed to see any great improvement for a long time.

Following the 3d Plenary Session of the 11th CPC Central Committee, a series of rural measures have been implemented, and the autonomous prefecture has never had it so good. The 150 production teams in the mountain region of Baoting County had always suffered low production and poverty. Following the implementation of the production responsibility system with contracting on household basis, the commune members based themselves on the actual situation in their area and developed diverse forms of economic management. The state provided low-interest and interest-free loans to help the commune members solve the difficulties in their livelihood, and encouraged them to plant all sorts of economic crops and to develop household sideline production. Last year, the production teams planted over 2,000 mu of rubber, sugarcane, betel palms, and other economic crops, and grain production also achieved a bumper harvest. Last year, the per-capita grain ration leaped from the previous annual average of less than 400 jin to 800 jin, and per-capita income distributed increased from the 30 yuan prior to the third plenary session to 130 yuan. The increase in grain production solved our Li and Miao compatriots' food and clothing problems; and their increased income brought about a gradual improvement in their standard of living. They no longer have to eat relief grain, and some even contribute to the state. Last year, Shiyi production brigade for the first time sold 40,000 jin of grain to the state.

As we drove from the autonomous prefecture's capital, Tongshen, toward Luhui, we often saw herds of oxen basking and grazing in the warm winter sun; among the evergreen mountains, stretches of rubber trees growing up along the line of the hills; and once barren hillsides carpeted by healthy sugarcane. Comrades from the autonomous prefecture told us that due to the implementation of the production responsibility system with contracting on a household basis, and the readjustment of the composition of agriculture, such that attention was paid to utilizing the advantages of the mountains' natural conditions, and while continuing to grasp agriculture, peasants were encouraged to greatly develop the production of rubber, sugarcane, and other cash crops, agricultural production in the Wuzhishan region had quickly been brought back to life.

One Li minority production brigade, the Nanshan production brigade in Yacheng commune, used to be so poor that even sparrows avoided it. After 2 years of practicing the contract system, its appearance rapidly transformed. The Nanshan production brigade has 333 Li nationality households. Here, the water source had dried up and production was backward. Since liberation five small pools had been dug in the mountains, but none produced water. Five wells also failed. Even an eight-level water pumping station failed to solve the water problem. In 1978, prior to the third plenary session, per-capita distributed income was only 19 yuan. Each year the production brigade was forced to rebuy over 200,000 jin of grain; their production was dependent on annual loans of 30,000-odd yuan; and they relied on the provision of over 1,000 yuan of state emergency aid for their livelihood.

But now, Nanshan is no longer the bleak, desolate, poor mountain village of yore. The Nanshan production brigade has only 300 mu of paddy fields, but over 8,000 mu of dry hillside farmland. The production brigade's party branch secretary led the whole brigade to carry out the production responsibility system with contracting on a household basis; starting with the fact of a few paddy fields and a lot of dry farmland, they took advantage of their strong points and minimized their weak points, suited measures to local conditions, and changed the production structure; the whole brigade planted 3,200 mu of sugarcane, 320 mu of rubber, 13,700 coconut palms, some betel palms, cashews, and other economic crops. The production responsibility system caused a leap in grain production and economic income: In 1979, the total volume of grain production was about 223,000 jin, economic income was 84,000 yuan, per-capita grain was only about 100 jin, and per-capita income only 21 yuan; in 1980, the figures were: total grain output, 580,000 jin; economic income, 140,000 yuan; per-capita income, 39.6 yuan; in 1981, total grain output reached 680,000 jin, economic income 340,000 yuan, and per-capita income 335 yuan; in 1982, total grain output maintained 1981's level of 680,000 jin, but income from sugarcane and other economic crops amounted to 827,000 yuan, and per-capita grain reached 396 jin. Not only were the problems of food and clothing solved, but two-fifths of the households achieved an income of over 5,000 yuan, and five "10,000-yuan households" appeared. This once-poor Li village now resounds to the rumble of machinery and the sound of happy laughter. In the village we saw vehicles busily driving in and out, loaded with stone, cement, and other building materials. Two of the commune's families are now busy building new concrete houses. Others have already built the foundations and are hurriedly gathering materials. What great changes have been brought to this remote Li village by the correct line of the party's third plenary session!

As we traveled around the Wuzhishan Mountains on horseback, we saw the changes in every Li and Miao village, and the happiness brought by bumper harvests, and through these things, the magnificent sight of Wuzhishan striding forward. We believe that in the future, Wuzhishan will see even more amazing changes!

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A FEW WORDS ABOUT 'PLUNGING INTO THE THICK OF LIFE' AND 'GIVING A CURSORY  
GLANCE AT THINGS'

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[Article by Yang Yinlong [2799 5593 7127]]

[Text] Many comrades in literary and art circles are now seriously considering the question of how to follow the spirit of the 12th party congress, promote creativity, and raise the quality of their works so as to push literary and art work to a new high. What links in work should be done for this purpose? In my opinion, according to the present situations, an extremely important task is to change the situation of "giving a cursory glance at things" and that writers must go into the thick of life.

It must be acknowledged that over the past few years, a number of the writers who have a sense of responsibility have consciously shouldered the mission of the era, honestly spent their life among the masses of people, and absorbed nourishment from the life of the masses to tap the treasure of art, and consequently they have written a number of good works. But quite a number of writers are yet to go into the thick of life and therefore they are not quite familiar with life. They are satisfied with this situation and they are always eager to find a shortcut for quick success and instant benefit. Like a dragonfly skimming over the surface of water, they began to wield the brush after they made one visit and one interview and made a cursory glance at things, and on the basis of lopsided and limited understanding, some of these comrade writers held that their past "stock" of life and indirect experiences in life are enough for them to write for the rest of their life. Consequently they have refused to go into life and have despised life. These comrades also confined themselves to their own little personal world in order to resort to their unhealthy feelings and write dull and plaintive works that are contradictory to the spirit of the era; they have even analyzed and enjoyed the weakness of mankind and the instinct of the nature of animals that are not acceptable to the world. Therefore it is only natural that the broad masses of people have reproached such works.

What is "life"? People have different interpretations of this question. Life here mainly refers to the new life of the socialist modernization program. To go deep into life means to plunge into the contradictions and

struggles of this new life and enter into the inner world of various figures. Since last year, medium-length novels such as "The Night of the Swallow Nest" and "Garlands at the Big Mountain Slope" have been warmly welcomed by the broad masses of readers and there are many factors for the success of these works. And yet we cannot but acknowledge that the basic factor is that the writers have accumulated rich experiences in life and that they have based their lives on artistic achievements. "The Night of the Swallow Nest" depicted struggles against floods in Sichuan Province. The author of this novel, Comrade Wei Jixin, visited the flooded areas where he plunged himself into the heat of the struggle against floods and where he went into oil tanks on three occasions. He was conferred the title of "vanguard in fighting flood and helping people" by the Nantong City CPC Committee. He was deeply moved by the heroic deeds demonstrated by girls and women during the fight. He said: "I wrote the novel with my own hot blood, with tears in my eyes." The author of "Garlands at the Big Mountain Slope," Comrade Li Cunbao, has profound feelings toward Yimeng hilly regions. He spent 18 years in the army and following the self-defense counterattack against the Vietnamese forces, on 2 occasions he spent more than 8 months in the forefront where he lived with commanders and fighters. Such plots in his book as "zigzag movement," the army commander throwing his cap down and scolding the girl, outstanding accounts of martyrs, stinking bombs produced during the movement of criticizing Lin Biao and Confucius were depicted vividly, and all these stemmed from the life of armymen in the forefront. It is true that the skills of writing these novels needed to be improved but this situation does in no way affect their artistic appeal. The main reason is that they have a strong sense of reality. This situation showed that life situations can be used to make up for a deficiency in skills, while skills can in no way cover a deficiency of lacking experience in life.

Good works can only be the products of a profound sense of reality and the accumulation of rich experiences in life. It is far from enough just to rely on skimming over the surface of reality or on an indirect experience in life. Of course, writers do not necessarily have to experience all the things they are going to depict; and yet it must be acknowledged that direct experiences of life are the foundation for creativity. It is only when a writer is able to base himself on this foundation of using direct experiences, as well as using indirect experiences, that he is able to express his feelings and thoughts that are based on his own experience. Even if a writer is writing on a historical theme, it is also necessary for him to profoundly understand the situations of today before he is able to understand history. Otherwise, he can in no way express his feelings, and his works will not represent the spirit of the era, as they are nothing but piles of outdated and old anecdotes. Such works not only depart from artistic reality but also are not in a position to move the feelings of readers or audience of today. We can in no way write about the reality of life by relying on others' words. The various aspects of social life interact and influence each other and therefore writers will be able to understand the indirect life of various aspects only when they can attain direct experience in the life of one or several aspects. Writers Wei Jixin and Li Cunbao are not satisfied with indirect experiences and, therefore, they seek

direct experience; they do not stay on the surface of life but instead have plunged themselves into the heat of struggles to experience, study, and exploit what exists in the depth of the complicated souls of various figures. Such are the basic skills required to be a writer.

The most important thing at present in stressing the importance of going into the thick of life is that writers must meet the needs in the development of an era. In the past 6 years, many writers wrote about their own experience during the 10 turbulent years and their works have served as a witness of that era and a summary of history. But both history and the era are developing and therefore will it be possible that our works will lag behind? Can the writers who have written their works with blood and tears about the previous period of the great historical turning point write a new chapter reflecting the new reality of today's prosperous development? This question no doubt represents a test for each writer.

Life is ever-existing and green but the life that has been experienced and that is familiar may not be fresh. There is a limit in the "stock" of life but there is no ending to constantly enriching the experience of life. If we are satisfied with the existing "stock" of life and depart from the life of today, it will be like food which is stored in a bag and is not replaced and enriched, and consequently people will not taste fresh flavors because they will be eating stale foods. Comrade Mao Zedong once quoted Lu Xun when he warned us not to become "phony writers." He stressed that it was "necessary to go among the masses" and "go into the heat of struggles." We are now living in a new period of great historical change. If, in this new situation, we stop to make progress, are satisfied with a smattering of subjects, and do not integrate ourselves with the new era and the new masses to absorb rich nourishment from the life of the people, the "stock" of life may dry up, "the existing knowledge will be used up," and consequently we will no longer produce good works.

We must understand that the road of the modernization program is not smooth sailing, but is filled with complicated contradictions and struggles. In particular, during an unprecedented upsurge of reform, our life is always subject to constant destruction and construction. At a time when we have cut off the old relations of life and are building the new relations, and when we have broken away from the old path we are accustomed to, we are building the new path we are not used to and are getting rid of the old to make way for the new, and under this situation there are always conflicts and changes between new and old forces and among different ideologies. Consequently there have emerged different forms of new conditions, new problems, and new figures. In addition, it is only natural that during this particular historical period that is characterized by the situation in which the new is replacing the old, there have existed enormous things that are passive. Therefore some comrades are of the opinion that by plunging themselves into the thick of life, they would find more dark sides than bright sides. Consequently they have failed to see the true color of life and to find the fresh and beautiful things and they have eventually become worried. Therefore they proposed to take just a "cursory glance at things" and maintain a certain distance from life. This view is, of course,

contradictory to reality. The new and the old and the beautiful and the ugly can only exist in comparison. Our literary and art can in no way avoid the contradictions and struggles in life if they are to truly reflect life. The novel "Garlands at the Big Mountain Slope" is an outstanding work with a theme of military life and has been welcomed by various sectors in society, and the reason for this success is that it did not avoid contradictions. Instead, it is daring in exposing dark sides and because of this, the heroes praised by this novel have become more lofty, realistic, and outstanding. Some comrades worried about this because they just "glanced at things" and they have yet to place themselves in the contradictions and struggles of life. They have not been able to proceed from materialist dialectics between development and relations and emergence and decaying and see the buds and growth of new things in the process of crushing dry weeds and smashing rotten woods. This situation showed that a number of comrades do not really understand this era, that they are still half asleep, as if they can only see blossoms through fog, that is to say, they are still in the realm of the unknown. In this situation, it has become even more important to mention and stress the importance of plunging into the thick of life and opposing the method of glancing at things in a cursory manner. Our literary and art workers must consciously plunge themselves into the heat of struggles and train themselves to be sharp-eyed observers and untiring researchers and practitioners! They must base on their own experience feeling the pulse of the advance of the era in their effort to create works that are worthy of the spirit of the era so that they will be able to shoulder the heavy task of building socialist spiritual civilization with communism as its core.

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END



